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ABSTRACT

The Ontario Council on University Affairs' fifth annual report, a document equivalent to a state's annual report on higher eudcation, is presented. The full text of all advisory memoranda issued in the year and the text of the major paper released by the council on issues concerning the Ontario University system are provided. The paper was a direct response to comments made to the council by universities and contains the following four parts: goals for the universities, funding, academic functions of the universities, and autonomy and control/structural alternatives. Appendices include data on funding and undergraduate and graduate enrollment data. Advisory memoranda concern: government support for the university system in 1979-80; the Ontario Graduate Scholarship Program, 1979-80; graduate program planning and funding; program furding approval procedures for Ryerson Polytechnical Institute; and the allocation of the government's operating support for the university system in 1979-80. A list of public meetings and council recommendations and government responses are included. (SW)

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1978-79

Ontario Council on University Affairs

Fifth Annual Report

Ontario Council on University Affairs

Fifth Annual Report March 1, 1978 to February 28, 1979

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March, 1979

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Letter of Transmittal

Ontario
Council on
University
Affairs

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February 28, 1979

The Honourable Bette Stephenson, M.D.,
Minister of Education,
22nd Floor, Mowat Block,
Queen's Park,
Toronto, Ontario

Dear Dr. Stephenson:

I respectfully submit herewith the Fifth Annual Report of the Ontario Council on University Affairs. This Report covers the period from March 1, 1978 through February 28, 1979.

Yours sincerely,

W. C. Winegard
Chairman

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Richard S. Zulik (to April 1978)
Research Officer

Nancy E. Simmons (to September 1978)
Associate Secretary

Members' terms expire on February 28 of the year indicated in parentheses

Introduction

The Fifth Annual Report of the Ontario Council on University Affairs covers the period March 1, 1978 to February 28, 1979 and contains the full text of all Advisory Memoranda issued in the year. In addition, the present report contains the text of the major paper released by Council in September 1978 "The Ontario University System: A Statement of Issues."

The September paper was a direct response to the comments made to Council by the universities in the Spring of 1978 and although the paper contains no policy recommendations it does raise serious problems that must be addressed over the next few months. The Spring 1979 hearings with the universities and the provincial organizations such as the Council of Ontario Universities (COU), the Ontario Confederation of University Faculty Associations (OCUFA), the Confederation of Ontario University Staff Associations (COUSA), and the Ontario Federation of Students (OFS), will be devoted almost in their entirety to the subjects raised in the paper. In many ways, the paper replaces, at least for this year, the usual introductory section of the Annual Report in which Council addresses specific issues of concern to the university system.

Council is aware that several fundamental concerns mentioned but not discussed at length in the paper will require further elaboration and exploration. For example, why is enrolment dropping in the universities when the number of potential students is still increasing? Why do Arts and Science programs no longer appear as attractive to students as in the past? Will there be a fundamental change in the character of the universities if the student preference for vocational, technological and professional programs continues for an extended period? These and other questions will become the focus of an ongoing debate. The paper issued by Council in September 1978 is only a starting point and Council expects that the Spring 1979 hearings will be both informative and productive.

The Ontario University System: A Statement of Issues

As outlined in the Introduction of Council's *Fourth Annual Report*[1], the universities of Ontario have just passed through a truly remarkable period of growth. The contrast between the post-secondary educational system that existed in 1952 and the one that had evolved by 1972 (and still exists today) was described as follows in the first chapter of the Report of the Commission on Post-Secondary Education in Ontario[2]:

> "During the past two decades, post-secondary education in Ontario has experienced a sweeping transformation. Prior to and immediately after World War II, education beyond high school occupied a modest and respected corner of Ontario's social landscape. It was concentrated mainly in a handful of provincially supported universities, legatees of a proud and substantial, if somewhat narrow, Canadian tradition of scholarship, teaching, and community service. It directly affected only a small segment of the population and cost relatively little public money. The contrast today could scarcely be more striking. The present system of post-secondary education is massive, complex, and diverse. It involves a sizable proportion of Ontario's youth studying in a broad spectrum of institutions with a myriad of functions. It plays a commanding role in society and consumes a substantial part of public expenditures. It is hardly surprising that an activity which earlier attracted slight public attention has, in the last decade and a half, become the object of great public interest, legitimate public scrutiny, and anxious public commentary."

University enrolment tripled in the 1960's and accessibility to higher education became a major government objective. The universities were asked to provide places for all qualified applicants and they did so. Consequently the university was no longer a place for the privileged few. Perhaps equally as important as the increase in full-time enrolment has been the increase in part-time studies. Encouraged in the first instance by the desires of "mature" students, the universities have responded with increasing zeal to the call for education throughout life which was a central theme of the report by COPSE.

Along with the increased educational opportunity offered at the undergraduate level, the growth of the universities provided Canadians, for the first time in many subject areas, with opportunities to study at the graduate level in Canada. By the beginning of the 1970's, Canadian graduate programs were available in most disciplines and some of these ranked with the best in the world.

The funding provided by both the provincial and federal governments for the increased emphasis on graduate work had both quantitative and qualitative effects on university research. The relatively low level of research that characterized our universities 25 years ago blossomed to the point where, in the early 1970's, research became an essential element in the role of the Canadian university.

In summary, a remarkable transformation has occurred in 25 years, a transformation that was possible because of enrolment growth that took place with public support and enthusiasm.

Times are changing, however, and the number of full-time undergraduate students in attendance at university has fallen since 1976–77 and, given longer run demographic forces, may continue to fall until at least 1995–96. As Council pointed out in the Introduction to its *Fourth Annual Report*, a drop of about 25% from the

1 Ontario Council on University Affairs *Fourth Annual Report* March 1, 1977 to February 28, 1978 (Toronto: Ministry of Colleges and Universities, 1978)

2 *The Learning Society*, Report of the Commission on Post-Secondary Education in Ontario (Toronto: Ministry of Government Services, 1972)

current enrolment level should not be unexpected. A decline in the order of 25% in the next 20 years is substantial but it must be viewed in the perspective of the extraordinary increase which occurred during the past 20 years. Enrolment levels in 1996 may well only return to the level experienced in 1972.

It has been suggested to Council that part-time enrolment could increase to compensate for the decline in full-time students. Even if part-time enrolment increases, Council notes that the growth would have to be very large to produce this effect.

Why are the universities so concerned about declining enrolment? One reason, of course, is that when enrolment drops there will be less need for the faculty and staff who are currently employed. To view this reason as the sole concern of the universities would be to take an unjustifiably cynical view of the situation. Many people in the universities realize that declining enrolment means that fewer teaching positions will be necessary. What they do not wish to see, however, is the destruction of the gains made during the past several years in other areas of endeavour such as graduate studies, research and community service. The citizens of Ontario will be the long term losers if our universities cease to be capable of maintaining good quality graduate programs, are no longer capable of providing the research strength so vital to Canada, and cannot provide the services to the community which have come to be expected.

The decline in enrolment in itself would present a challenge to the universities because for so many years they have concentrated on accommodating enrolment growth. As well, there is no question that a decline in enrolment must necessitate some loss in income to the universities. Furthermore, this coincides with the stated desire of the Government of Ontario to balance its budget through expenditure restraint. The two events taken together pose serious problems for the universities and for Ontario.

During its 1978 hearings with the universities, Council heard much discussion of the future and, indeed, precipitated some of it. Council was asked by the universities and the provincial organizations (the Council of Ontario Universities, the Ontario Confederation of University Faculty Associations, the Confederation of Ontario University Staff Associations, and the Ontario Federation of Students) to define the problems, to give some guidance as to the consequences of various funding levels and to suggest any structural changes that appeared necessary in order to preserve the best aspects of the system.

In this paper, Council has tried to fulfill these requests by outlining some of the problems and exploring options through which short-term and long-term difficulties might be addressed. There are no easy answers. Nevertheless, solutions must be found to ensure a dynamic university system.

During the spring of 1979, Council will meet with the university community to review the matters raised in this paper which forms part of the Introduction to its *Fifth Annual Report*.

Part I:
The Goals for the Universities

There is little doubt that the universities feel threatened because of declining enrolment and restricted funding. Individually and collectively they have stated that they will be unable to accomplish their task unless the 1978–79 percentage increase in their provincially-controlled revenues is raised in years to come. Obviously, restricted funding over any extended period will have consequences for the universities. For example, as demonstrated in Part II of this paper, the number of academic and non-academic employees may have to be reduced. The loss of several hundred faculty and staff positions may, or may not, be harmful to the quality of education. The effects of funding levels must be viewed in the context of whether or not the universities can satisfactorily carry out their functions and maintain quality. This reasoning leads Council to enunciate what it believes are the implicit goals for the university system in Ontario. Council deliberately uses the word "system" in this context because different universities may fulfill different roles to accomplish the total task of the university sector.

In setting forth the goals, Council is cognizant that some general purposes of the universities must be taken for granted. It is true that the university has traditionally been distinguished by its quest for an understanding of man and his place in the world. It is true also that the university provides a setting in which ideas of all sorts are freely and continuously scrutinized and evaluated. As well, universities certainly enhance society's ability to undertake critical self-evaluation. However, what Council terms the "instrumental" goals for the universities of Ontario are more specific and, thus, they are the ones that can be most profitably addressed in this paper.

With the above in mind, Council identifies the specific goals for the universities as follows:

1. To develop a more educated populace.

This goal is realized primarily through the provision of widely-accessible undergraduate programs in Arts and Science. The three-year programs are designed to provide a general education with more emphasis on breadth than depth although a concentration in a particular subject is often required. The function of these programs is to promote the growth of knowledge, understanding and judgment in the individual student and so increase awareness, perception and elightenment in society at large. The programs are not designed to lead to specific jobs or professions nor should they be. The graduates of these programs should, above all, be capable of the independent thought and analysis required by a complex economy and a free society.

The four-year programs, sometimes called "honours programs", are more specialized in nature and provide the necessary subject background for specialists including future teachers. In fact, the popularity of the honours program has been closely related to the requirements of secondary school teachers and a large percentage of Arts and Science graduates has traditionally entered the teaching profession.

2. To educate and train people for the professions.

The education of people for the professions has been a function of the university for centuries in such subjects as law, theology, and medicine. In recent times the number of professions has increased as has the call upon the universities for the necessary training. The growth in the number of professional schools has been large. As well, schools that have existed for a long time have grown significantly. Students and the public have demanded that professional opportunities be made available to thousands of young people and the universities have responded accordingly. Although the education of people for the professions need not be part of the offerings of every university in Ontario, no doubt should exist about the desire

of the public to have the university system respond to real needs in professional fields.

3. To provide for study at the highest intellectual level.

Despite the criticism in the recent past that the number of graduate students in Ontario may have been too high and the current concern about the number of graduate programs, no question exists now as to the desirability of graduate offerings. Twenty years ago the number of first-class graduate programs in Ontario and Canada was inadequate and student demand for training at the graduate level was limited. The ramifications of that situation are still being felt. For example, when undergraduate enrolment increased rapidly there were few Canadians qualified to teach in the universities. Because our universities were not extensively involved in graduate work, there was no option but to seek help from the outside, primarily from the United States and Great Britain.

Although they were late in coming to Ontario, graduate programs now exist which are of international calibre. These programs are the training grounds for the highly qualified individuals, in a variety of private and public sector careers, who are so vital to Canada's future.

4. To conduct basic and applied research including development and evaluation.

Research has always been an important function of a university, and generally speaking university research endeavours fall into four categories: basic, applied, developmental and evaluative.

Canada lags far behind most developed nations in terms of expenditure on research. For example, Holland and Germany spend 2.3% and the USA 2.5% of Gross Domestic Product on research of all kinds while Canada spends 0.9%. With respect to the universities, they are the main suppliers of basic research for the nation and in a very direct way the economic health of Canada depends upon the maintenance of substantial research capacity in the universities. A recent report from the National Science Board of the United States, for example, indicates that in that country basic research is the most frequently cited origin of patented technological advances. During the 1960's, the growth of research capacity in Ontario's universities was substantial. Unfortunately, during the past few years, funding from the federal granting agencies for basic research has been effectively decreased because increases have failed to offset inflation.

In the area of applied research, development and evaluation the university is only a part, albeit an important one, of the network that must exist in industrialized countries. Government and industry have the major roles to play but increasingly the university is becoming an important partner. The universities have the capacity to evaluate suggestions from industry and often the university can be a logical place to conduct development, particularly for firms that are too small to have research establishments of their own. The research role of the university has become increasingly important and the universities are seen as a significant sector in Canada's planned new research and development thrust.

For illustrative purposes the research role has been described in terms of scientific research. However, it is important to remember that scholarship and research in the Humanities and Social Sciences are of equal, if less readily apparent, importance to society. Unless the universities retain their capability to train researchers in all fields, the research goal will not be achieved.

5. To provide service to the community.

While the goal of providing public service has always been important, it is only relatively recently that university involvement in service activities has increased to

the current degree. In the sphere of government, universities provide service at the municipal, provincial and national levels through consultative and commissioned activities. In addition, the universities have extended help to the international community by providing places for students from developing countries and by undertaking major projects to develop the educational facilities in those same countries. Not least of all, as described above, the universities undertake research for the private sector and provide consultation services almost on a daily basis.

Universities also loom large in their local communities. In addition to providing service in the conventional sense, the communities in which the universities are situated have expectations of them which relate to the enrichment of community life. It is well to remember that a university is frequently the provider of facilities, such as reference libraries, that otherwise would not be available. Universities bring a broad range, and are often the chief focus, of cultural activities in their communities, and often rank among the major employers in a region.

With all of the above goals in mind, Council proceeds now to look at the financial problems that may be encountered by the universities in the next few years.

Part II: Funding

Financial Forecasts

Since 1970–71, the Ontario university system has found itself under increasing financial stringency. Increases in government operating grants which form the major source of revenue for the university system have lagged behind the combined increases in inflation and enrolment. Tuition fee rates have only been allowed by Government to rise $200 since 1970–71, and in fact increased only marginally during the sixties. Therefore, any increases in tuition fee revenue, which forms about 15% of total operating revenue, have been attributable primarily to an increased enrolment level. In the Introduction to its *Fourth Annual Report* Council indicated that all additional students taken into the universities since 1970–71 have been accommodated at approximately 50% of government-controlled income per student for the base year.

Pressures on university finances have been compounded by increases in federal research funds which did not match inflation and the substantial cut-back in provincial capital support. In addition to their effect on the level of university research activity, the constraints on research funds from federal agencies have deprived universities of a major source of funds for equipment purchases. The near-moratorium on provincial capital funding introduced in 1972 has severely restricted the universities' ability to make renovations and alterations to existing space, as well as to make furniture and equipment purchases.

Universities have responded to the financial constraint both by keeping overall expenditure increases down, and by making cuts in specific areas. Expenditures on non-salary items have received the greatest curtailment. These expenditures, which formed 24.1% of total operating expenditures in 1970–71, had been reduced to 19.9% by 1976–77. Particularly hard hit have been purchases of books and periodicals and technical and scientific equipment. Although conservation programs have greatly reduced energy use, this has been more than offset by increases in energy rates.

In order to permit reasonable salary settlements and to accommodate increased expenditures on fringe benefits, universities have responded by leaving unfilled some faculty and staff positions that became vacant through attrition, by increasing use of faculty term appointments, and by reductions in the number of non-academic staff, particularly in areas such as physical plant. Many universities have considered plans such as early retirement options as a way of obtaining operating flexibility and further salary savings, although little saving from such programs has been realized to date.

Universities have acted in a fiscally responsible way during the 1970's, by avoiding large operating deficits. Those institutions that have experienced deficits in a particular year have been able to move toward balanced budgets in subsequent years. For the most part, it has been possible to finance deficits by cash flow or by using accumulated surpluses. For 1977–78, the system experienced a virtual break-even position, with a slight surplus of approximately $3 million. Accumulated surpluses *including those appropriated for particular operating purposes* total about 3.5% of the annual university operating revenues.

Financial Outlook to 1981-82

The Government's announced policy of balancing the provincial budget by 1980–81[1] has set the tone for grant expectations for all publicly funded bodies for the next three or four years. The Treasurer of Ontario has predicted that increases in "controllable" government expenditure must be kept to 5.8% if the budget is to be balanced. The increase that universities receive will to a great extent depend on

1 See "Towards a Balanced Budget", Budget Paper C, *Ontario Budget 1977*.

whether post-secondary education maintains the same priority within government expenditures.

Council has developed a number of models which provide a framework within which university operating revenues to 1981–82 and their implications can be considered. The institutions included in the analysis are the fifteen provincially-assisted universities, Ryerson Polytechnical Institute, the Ontario Institute for Studies in Education and the Ontario College of Art. It should be made clear that these models exclude endowment and sponsored research funds. The basis upon which each of the models is constructed is as follows:

Model 1 – Provincial grants to universities until 1981–82 form the same percentage of provincial government expenditures (excluding interest on the public debt) as in 1978–79.

Model 2 – Total university revenue increases at the rate of inflation adjusted downward by 50% of the rate of enrolment decline.

Model 3 – Provincial Grants to universities are limited to 4% increases per annum to 1981–82.

The first of these models assumes that universities will maintain their present level of priority within total government expenditures, if the increasing amounts going to pay interest on the public debt are excluded. This represents a reasonably optimistic level of revenue increases for universities. Model 2 funds inflation adjusted by the 50% discount on enrolment from Council's funding model. It should be noted that the results from this model are very similar to the Treasurer's announced policy of 5.8% increases in "controllable" expenditures if the provincial budget is to be balanced by 1980–81. Model 3 assumes more stringent grant increases for the next three years than the other models, a situation which might arise if, for example, government revenues were to fall below present expectations and the government decided to further restrict spending. The figure of 4% has been chosen arbitrarily.

For these models to generate total university revenue and the components of that revenue, a set of assumptions on various factors is needed: government revenue increases, inflation rate, enrolment changes, tuition fee rates, other university revenue levels and the date by which the provincial budget will be balanced. Values for each of these factors have been chosen for calculating an initial set of alternative university revenues to 1981–82 from these three models. It should be noted that the inflation rate of 6% per annum has been chosen, despite higher current rates, for consistency with the rate used in the 1978 Ontario Budget.

The assumptions as to the initial value of the various factors are as follows:

Assumed government revenue increases[1]	– 1979–80 9.4% 1980–81 10.1% 1981–82 10.0%
Inflation rate	– 6.0% per annum
Enrolment change	– 3% decline per annum
Tuition fee rates	– Remain at present levels
Other university revenues	– Increase by $3m. in 1979–80 and thereafter remain constant to 1981–82
Date by which provincial budget is balanced	– 1981–82

Table 1 shows the assumed Ontario Government revenue and expenditures from 1978–79 to 1981–82. Tables 2 to 4 show for the various models the grant increase

1 The government revenue increases for 1979–80 and 1980–81 are obtained from Budget Paper C, *Ontario Budget 1978*, page 6. The 10% rate of increase for 1981–82 is Council's assumption.

Table 1

Ontario Government Revenue and Expenditures 1977–78 to 1981–82

	1977–78	1978–79	1979–80	1980–81	1981–82
Revenue[1]					
$m	11,987	13,500	14,769	16,261	17,887
% increase		12.6	9.4	10.1	10.0
Expenditures[2]					
$m	13,603	14,555	15,666	16,777	17,887
% increase		7.0	7.6	7.1	6.6
Deficit ($m)	–1,616	–1,055	–897	–516	0

Notes:

1 Revenue data for 1977–78 and 1978–79 are obtained from *Ontario Budget 1978*, page facing page 1, and include both budgetary revenue and non-budgetary receipts and credits. For subsequent years, the assumed government revenue increases from page 17 of this document are used to obtain total revenue figures.

2 Expenditure data for 1977–78 and 1978–79 are obtained from *Ontario Budget 1978*, page facing page 1, and include both budgetary expenditures and non-budgetary disbursements and charges. It has been assumed that revenues would equal expenditures in 1981–82. Therefore, the expenditure figures for 1979–80 and 1980–81 are calculated to allow this balance to be achieved evenly over the three-year period from 1978–79 to 1981–82.

Table 2

MODEL 1

Provincial grants to universities until 1981–82 form the same percentage of provincial government expenditures (excluding interest on the public debt) as in 1978–79.

	1978–79 ($m.)	1979–80 ($m.)	1980–81 ($m.)	1981–82 ($m.)
Grants (% incr.)	738.5	789.4 (6.9)	846.8 (7.3)	907.8 (7.2)
Fees	139.8	137.6	133.5	129.5
Other Revenue	57.8	60.8	60.8	60.8
Total	936.1	987.8	1041.1	1098.1
(% Increase)		(5.5)	(5.4)	(5.5)

Notes:

1 Grants are calculated as 5.5% of the total government expenditures from Table 1 excluding the interest on the public debt.

2 Fee rates are constant throughout, but fee revenues decrease because of enrolment decline. The final $2 million instalment on visa student fee revenues has been added in 1979–80.

3 Other revenue is assumed to increase by $3 million in 1979–80 and remain constant in subsequent years.

4 Total revenue is calculated as the sum of the three components.

each year and the percentage increase in operating income of the universities. The assumptions made about inflation, fee rates and other income must be borne in mind when reading the tables. Appendix II–1 shows the sensitivity of the models to changes in the values of the variables.

Table 3

MODEL 2

Total university revenue increases at the rate of inflation adjusted downward by 50% of the rate of enrolment decline.

	1978–79 ($m.)	1979–80 ($m.)	1980–81 ($m.)	1981–82 ($m.)
Grants (% incr.)	738.5	778.9 (5.5)	826.0 (6.0)	874.9 (5.9)
Fees	139.8	137.6	133.5	129.5
Other Revenue	57.8	60.8	60.8	60.8
Total	936.1	977.3	1020.3	1065.2
(% Increase)		(4.4)	(4.4)	(4.4)

Notes:

1 Total revenues are increased by 6% per annum inflation adjusted downward for one-half of the 3% per annum enrolment decline (1.06 X .985 = 1.044).

2 Fee rates are constant throughout, but fee revenues decrease because of enrolment decline. The final $2 million instalment on visa student fee revenues has been added in 1979–80.

3 Other revenue is assumed to increase by $3 million in 1979–80 and remain constant in subsequent years.

4 Grants are calculated from total revenue less other revenue and fees.

Table 4

MODEL 3

Provincial grants to universities are limited to 4% per annum to 1981–82.

	1978–79 ($m.)	1979–80 ($m.)	1980–81 ($m.)	1981–82 ($m.)
Grants (% incr.)	738.5	768.0 (4.0)	798.7 (4.0)	830.6 (4.0)
Fees	139.8	137.6	133.5	129.5
Other Revenue	57.8	60.8	60.8	60.8
Total	936.1	966.4	993.0	1020.9
(% Increase)		(3.2)	(2.8)	(2.8)

Notes:

1 Grants increase at 4% per annum.

2 Fee rates are constant throughout, but fee revenues decrease because of enrolment decline. The final $2 million instalment on visa student fee revenues has been added in 1979–80.

3 Other revenue is assumed to increase by $3 million in 1979–80 and remain constant in subsequent years.

4 Total revenue is calculated as the sum of the three components.

Implications of Alternative Revenue Forecasts

What are the implications of these alternatives for the university system? Regardless of the particular model chosen, all represent financial stringency and will necessitate expenditure restrictions at the universities. Constraint will not apply equally across the system. Some universities will be subjected to less pressure than others because of their program offerings, geographic location, or present financial situation. Even within a university it is not reasonable to expect that restraint can or will apply evenly to all programs. Nevertheless, at a system level, there is a range of options available for effecting expenditure reductions: reduction in the number of teaching faculty, reduction in the number of non-academic staff, further cuts in non-salary expenditures, and providing salary increases which fall below inflation rates. Because non-salary expenditures have borne the primary burden of cost cutting in recent years, it is not reasonable to expect that they alone could experience further reductions.

To understand the financial implications of the various models, each model must be measured in terms of a simple benchmark. The benchmark used in this analysis is the revenue that would be required by the universities to maintain the existing faculty and staff complement, to provide annual inflation and progress-through-the-ranks[1] increases for the salaries and fringe benefits for the faculty and staff complement, and to maintain the existing level of non-salary expenditures adjusted annually for inflation. Table 5 shows the level of system expenditure required each year until 1981–82 under the above assumptions. Council emphasizes once again that the analysis to follow is from the viewpoint of the system. Individual universities would probably differ in the extent to which they follow the pattern of the system.

Table 5

System expenditure levels required to 1981–82 to fund existing salary, fringe benefit and non-salary items plus 6.0% per annum for inflation plus 2.0% per annum on salaries and fringe benefits for progress-through-the-ranks:

	1978–79 Estimated ($m.)	1979–80	1980–81	1981–82
		Projected ($m.)		
Salaries and fringe benefits	748.8	809.6	875.3	946.4
Non-Salary items	187.3	198.5	210.5	223.1
Total Expenditures	936.1	1008.1	1085.8	1169.5

The assumed expenditure figures of Table 5 may be compared to the revenue figures generated for each of the three models shown in Tables 2 to 4 and a "shortfall" calculated. Using Model 2 only as an example, it is seen in Table 6 that there is a shortfall of $30.8 million in 1979–80. For illustration of the total effect over the three-year period it is assumed that the university system takes no steps in each year to alleviate the shortfall. Therefore, the shortfalls and their implications shown

1 Salary increases that are paid in addition to inflation allowances in recognition of career advancement. They can include increases for salary "steps", promotion, and merit.

for 1980–81 and 1981–82 reflect the accumulated shortfall from 1979–80. The accumulated shortfall is $65.5 million in 1980–81 and $104.3 million in 1981–82. There are various options available to the university system to meet this shortfall and these are shown in Table 6 for Model 2. Tables for all three models are given in Appendix II–2. To explain Table 6, let us concentrate on the 1981–82 column. The assumed expenditure is $1169.5 million and the revenue is $1065.2 million, leaving a shortfall of $104.3 million. Using the options listed under item 4, it would require an 11.0% decrease from the benchmark salary and fringe benefit figure if all of the shortfall figure was taken up by the salary component of the budget. If, as in 4 (b), the shortfall is entirely covered by decreases in the non-salary area, there would have to be a 46.8% reduction. If the shortfall was spread evenly between the two major areas of the budget, the reduction in each category would have to be 8.9%.

Looking now at item 5(a) of Table 6, it may be seen that if all of the shortfall was accommodated by the removal of positions rather than salary reductions, a reduction of 1342 faculty positions would be required by 1981–82 along with a corresponding reduction in total dollars devoted to non-academic staff salaries which would probably involve an even greater number of positions. Obviously if all sav-

Table 6

MODEL 2

	1979–80	1980–81	1981–82
1. Benchmark Expenditure ($m.) (from Table 5)	1008.1	1085.8	1169.5
2. Revenue ($m.) (from Table 3)	977.3	1020.3	1065.2
3. Accumulated shortfall ($m.) (Benchmark expenditure less revenue)	30.8	65.5	104.3
4. Illustrative options available to university system to match shortfall:			
(a) accumulated % decrease in faculty and staff salary and benefit expenditures if these absorb the entire shortfall, OR	3.8	7.5	11.0
(b) accumulated % decrease in non-salary expenditures if these absorb the entire shortfall, OR	15.5	31.1	46.8
(c) accumulated % decrease in total operating expenditures if all areas of budget absorb the shortfall equally	3.1	6.0	8.9
5. Accumulated number of *faculty* positions implied by each option if cuts are made from positions:			
(a)	464	915	1342
(b)	0	0	0
(c)	378	732	1086
6. Student–faculty ratios implied by each option:			
(a)	15.2	15.4	15.5
(b)	14.7	14.2	13.8
(c)	15.1	15.1	15.1

ings were generated by cuts in the non-salary area, as in (b), then no positions would be lost. If, as in 5(c), it is assumed that reductions are made in all areas of expenditure, 1086 faculty positions must be withdrawn along with, of course, the appropriate number of non-academic staff positions. Item 6 of the table shows the resulting student–faculty ratios for the options (a) to (c).

Some Comments on the Options

As indicated, one approach to reducing expenditures on salaries and benefits is an actual reduction in faculty and staff positions. To some extent this could be achieved through normal attrition and non-renewal of contractual appointments. But attrition could only be a partial response, the limiting factor being the age distribution of faculty. Because most teaching staff are between the ages of 35 and 45, retirements will not provide much relief to the universities for some time. Although attrition rates are difficult to estimate, it is reasonable on the basis of current figures to estimate that about 250 positions will be lost annually through attrition and non-renewal of contractual appointments over the next three years, fewer than the numbers needed to offset the revenue shortfalls envisaged in the models.

If attrition is at a rate of 250 faculty positions per year until 1981–82, with a corresponding reduction in non-academic positions, Table 6 indicates that the universities would need to remove another 592 faculty positions (1342–750) if salary increases were paid at the rate of 6% plus 2%. Assume still further that the universities intended to maintain the current teaching service level which is approximated at a student/faculty ratio of 15.1 : 1. To hold the student/faculty ratio at 15.1 : 1, 288 positions would have to be retained from the 592. Positions withdrawn then would be 750 by attrition and 304 through other means. The 288 positions that were not withdrawn would have to be financed by reducing salaries. Since 1% of the total faculty salaries budget equates to approximately 100 faculty positions, the accumulated reduction in expected salary levels would be less than 3%. It should be remembered that a 1% increase in tuition fees without a corresponding reduction in government grants would produce approximately $1.3 million which equates to 33 positions.

It is obvious that there are many combinations of salary reduction and position withdrawals that are available to the universities. Council's purpose in using the above example is simply to show one such combination for one model. How any university responds will depend upon its own priorities, the severity of its financial problems, and, of course, what happens to fee levels. How the system responds will depend upon what is happening in the country as a whole. If all sectors of society accept wage increases that are below inflationary increases, the universities would be able to provide comparable increases without running the risk of losing their best people. (The best people could be held, of course, by deliberately setting aside a larger portion of the salary budget than at present for selective increases.) There will be a potential trade-off in favour of retaining positions rather than paying larger salaries. If high salaries must be paid and the global funds are limited the universities will have little option but to reduce the number of positions.

In all of this discussion, it is important to remember that the figures used by Council were derived from Model 2. Obviously if the actual situation more closely parallels Model 1, the position will not be as serious. On the other hand, should Model 3 be closer to actual than the others, the seriousness of the situation for the universities will be exacerbated.

Financial Outlook to 1990

The financial outlook for the university system after 1981–82 is a matter for even more speculation than the outlook until 1982. Should the Government of Ontario

succeed in balancing its budget there will subsequently be more flexibility on the expenditure side. Whether increased government expenditure would provide relief for the university system, however, is not certain. Enrolment in the whole post-secondary sector is expected to decrease after 1981–82. On the other hand, the anticipated rate of enrolment decline could be moderated through increased part-time student participation. It is also possible that an improved economy could produce a manpower shortage in 6 – 8 years' time and university graduates would be in greater demand.

Most of the above discussion has centred around cost-cutting as the means by which universities can maintain financial viability. Steps can also be taken to increase revenue. The search for other revenue sources should receive particular attention by the universities. What do institutions have to do to increase corporate donations? In large measure this depends on the corporate perception of universities. As well, it may involve exploration of ways in which universities can enter into activities with the private sector, such as the increased provision by universities of research and development services to business firms. Grants from government are not offset by donations from the private sector. Indeed, more private giving would be a good thing in itself because universities have become disproportionately dependent on public support.

Council has no crystal ball that allows it to predict the future but in general the future appears to be one in which the universities will have to reduce operating expenditures and explore alternative sources of funding.

The Allocation of Operating Grants Among Institutions

How severely the individual institutions are affected by global financial constraints will depend, in part, upon the mechanism used to allocate funds among them. Any number of options is possible and most have been discussed repeatedly and at considerable length in recent years.

Council is on record as stipulating that any allocative mechanism to be used in the Ontario university sector should provide: "(1) funding stability by preventing extreme fluctuations in institutional income, (2) funding predictability to assist institutions in their planning efforts, (3) equitable allocations among institutions, (4) accountability to the public by linking funds to some quantifiable factor, and finally a method that would be (5) simple to use, understandable and practical to implement" (Advisory Memorandum 77–VII). In its ongoing review of potential allocative mechanisms for undergraduate and graduate programs, Council has considered a great variety of options in light of these criteria. It believes that the formulae used for undergraduate allocations and those recommended for the graduate sector do indeed satisfy these five requirements far better than do any of the other mechanisms put forward from time to time.

Council is firmly of the opinion that yet another round of talks on allocative mechanisms would be fruitless unless the institutions or the Government can make a case for changing the criteria which Council has enunciated. It must be borne in mind that during the Spring 1978 hearings the majority of institutions concurred in principle with the formulae for allocating graduate support proposed in Advisory Memorandum 77–VII. These strongly resemble the formula currently in place for undergraduate allocations.

Nonetheless, Council has reason to suspect that the current undergraduate allocative mechanism is not fully understood in many quarters. The following, therefore, describes precisely how this formula works and how it serves the principles of stability, predictability, equity, and public accountability.

Mechanism for Allocating Funds with respect to Undergraduate Programs

The allocative mechanism currently used operates as follows. (1) For each institution an Undergraduate Formula Funding Base is calculated by taking a three-year average of weighted undergraduate student enrolment (Basic Income Units – BIU's) in the years 1974–75, 1975–76, and 1976–77. This base figure is fixed. (2) Each year a second average of weighted enrolment (BIU's) is calculated using actual enrolments in the preceding three years, a three-year moving average. These two average enrolment figures are then combined in the following way to generate the number of basic income units to be used for funding an institution's undergraduate programs: (1) + ½[(2) – (1)]. That is, the number of BIU's in the Undergraduate Funding Base plus 50% of the difference between the more recent moving three-year average of BIU's (2) and the BIU's in the Base (1).

This means that institutions which experience undergraduate enrolment increases post-1976–77 will, after three years, receive a maximum of 50% of the operating revenue that would otherwise be expected were funding allocated on a direct per capita basis. Conversely, institutions which experience undergraduate enrolment declines will lose a maximum of only 50% of the funding associated with the lost enrolment. Herein lies the stability feature of this allocative mechanism for, in the extreme case, an institution which had no enrolment whatsoever at the undergraduate level beginning in 1977–78 would receive funding on the basis of 50% of its average enrolment in 1974–75, 1975–76 and 1976–77.

Enrolment averaging, the fixed base, and slip-year enrolment counting combine to serve the principle of predictability. Again taking the extreme case, if an institution unexpectedly lost all undergraduate enrolment in a given year, it would know immediately that under this allocative mechanism its funding BIU's *in the following year* would decrease by one-sixth.

The undergraduate formula provides a degree of equity among the institutions because a relationship continues to exist between the numbers of students enrolling and the level of funding. This same relationship between enrolment and funding is the way in which the criterion of public accountability is served.

Mechanism for Allocating Funds with respect to Graduate Programs

In Advisory Memorandum 77–VII Council outlined allocative mechanisms which it favoured for the graduate sector. These were generally modelled along the lines of the undergraduate formula, with the exception that a higher degree of stability through reduced enrolment sensitivity would be provided in the allocations with respect to doctoral programs. As indicated earlier, these proposals were by and large endorsed by the university community.

Council can only reiterate that it does not wish to entertain another round of talks concerning allocative mechanisms unless new evidence is presented to show clearly that the criteria governing selection of a funding mechanism should be altered.

Part III:
Academic Functions of the Universities

Undergraduate Instruction

The Growth and Decline of Enrolment

As outlined in the Introduction to Council's *Fourth Annual Report*, the universities of Ontario have just pased through a remarkable period of growth in which accessibility was a major government objective. The universities were asked to provide places for all qualified applicants and they did so. Since 1960 the growth of the 18–24 age group has been approximately 108%. In addition to the increase in the number of young people of the usual age to attend university, the participation rate also increased. Full-time undergraduate university attendance expressed as a percentage of the 18–24 age group increased from 5.4% in 1960 to a high of 13% in 1975–76.

From all appearances the number of full-time undergraduate students in attendance at Ontario universities has fallen since 1976–77 and may continue to fall until at least 1995–96. Although the number of people in the 18–24 age group will continue to increase until 1982–83, the participation rate has already declined from the 13% achieved in 1975–76 to an estimated 11.5% in 1978–79. This decline in the participation rate is a matter of concern in certain quarters. Indeed, Council heard arguments during the Spring of 1978 that steps should be taken to increase attendance at universities to meet Canada's long run need for increasing numbers of people educated at the university level. On the other hand, Council is aware of opinions to the effect that university education has been oversold in recent years and that steps should be taken to make other forms of education and training more attractive.

The fact is that university education in Ontario is already widely accessible to individuals who can meet university admission requirements. Although a significant proportion of young men and women have the opportunity and qualifications to attend university, many are choosing not to do so. It has also been suggested that young people from some socio-economic backgrounds elect not to enrol in secondary school programs that would enable them to enter university. To the extent that this is deemed an example of denial of accessibility, it is one that should be addressed at the primary and secondary school levels. As long as financial assistance is available to university students regardless of socio-economic background, the decision to attend must clearly be a matter of individual choice.

The current position on part-time studies is that enrolment is declining in this area also. It is not easy to predict the future in this sector. During the past two decades the attention of the university system has, of necessity, been directed primarily to providing places for full-time students. As the universities shift their focus to providing opportunities for potential part-time students, and as the number of people in the age group 25–35 grows, (a large percentage of part-time students is in this age bracket), the enrolment in part-time studies of all kinds could increase. However, it would take large percentage increases to offset the declines expected in full-time enrolment. For example, to offset a decline of one full-time student would normally require five additional part-time course registrations.

The Tables in Appendix III–1 present some general data on undergraduate enrolment patterns. An examination of the decline in undergraduate enrolment that has already occurred in the system brings to light a number of interesting facts: the undergraduate enrolment decline is concentrated primarily in the Arts and Sciences; the decline experienced in 1977–78 occurred primarily in the freshman year; undergraduate enrolment declines were not distributed evenly among the universities; and, the enrolment decline experienced in university undergraduate programs was not duplicated at Ryerson, the Ontario College of Art or in the Colleges of Applied Arts and Technology. First year applications for entry in Fall 1978, based

on the latest available information, indicate that in general the same pattern of enrolment change may occur in 1978–79.

As a general principle Council believes that the universities, individually and collectively, must be responsive to changes in the level of student demand for undergraduate education. A diminishing supply of students will undoubtedly have an impact on the institutions within Council's purview. Accordingly, Council now turns its attention to the following specific areas of undergraduate instruction: Professional Programs, Polytechnic Instruction, Part-time Studies, and Arts and Science.

Undergraduate Professional Programs

Students are usually admitted into undergraduate professional programs in their freshman year (like Engineering) or at some point in their undergraduate studies (like Medicine and Law). Many of the professional programs have enrolment ceilings and most enjoy a student demand which exceeds their capacity (e.g. 6 applicants for each medical school admission).

There is one notable exception to the rule of high demand for professional programs, namely, Bachelor of Education programs. While this may be a source of considerable concern to the Faculties of Education, Council, from a public interest perspective, finds this development encouraging. The market for new teachers in Ontario has decreased markedly with the declines in the number of elementary and secondary students. Evidence suggests that there may be a general winding down in these educational sectors, and Council thus takes reassurance from the indications that student demand for the B.Ed. appears to be taking cognizance of the employment situation. Indeed, current developments in Education programs suggest that the "marketplace" approach can and does work for professional undergraduate programs, although there may be time lags before student demand fully reflects the availability of jobs for graduates.

Although Education has been cited as an example of a professional field in which student demand has begun to reflect changes in the marketplace, it must be remembered that demand for teachers is relatively easy to predict given that the number of teachers needed is a function of demographic trends. In most other professional areas, however, it is much more difficult to forecast society's need for graduates. This factor alone makes it imperative that a very close watch be kept on student demand and the need for professional graduates.

Without begging questions about the validity and accuracy of manpower forecasting, Council has begun to wonder whether the enrolment levels in professional programs other than Education are appropriate. Is there any way to assess whether enough graduates are being produced in the various professional fields? In which professional areas, if any, are too many graduates entering the work force each year, and vice versa? Are there likely to be shifts into new "professional" areas? Council would be particularly interested in hearing from the universities the extent to which the professions heavily oriented toward public sector employment (e.g. Nursing, Library Science, Social Work) can expect declines in demand? Should fewer graduates in these fields be entering the marketplace given general expectations of declines in public sector hirings?

Council poses these questions with three thoughts in mind. First, if undergraduate professional programs maintain current enrolment levels, there may be a gradual change in the character of some institutions as Arts and Science enrolment declines. Second, in those professional areas where enrolment controls are not exercised by agencies outside the system, universities might increase professional enrolments as an offset against enrolment declines in other programs. Third, if

there are indications that the universities are producing an over-supply of professionals in some fields, attention should be given to reducing the number of professional graduates.

Undergraduate professional programs are expensive to operate. The applied training received by students in professional programs naturally tends to foster the expectation that graduates from these programs will find employment in their fields. It is, therefore, in the public interest for Council to expect COU and the individual institutions to monitor developments in this area as they affect the university, the professions and the student.

Polytechnic Instruction

Polytechnic programs are treated here as a separate category. Ryerson Polytechnical Institute is the only centre for polytechnic degree education in Ontario and, as well, offers programs leading to certificates and diplomas in applied arts, technology, and business. Demand for admission to Ryerson continues to exceed the number of annual admissions.

There is ongoing discussion as to the potential desirability of expanding polytechnical education in Ontario. From the viewpoint of the university system it might be desirable to encourage some universities with neighbouring Colleges of Applied Arts and Technology to develop and offer joint programs leading to applied bachelor's degrees. On the surface this approach might: (1) allow universities with sharply decreased Arts and Science enrolment to use excess physical capacity for polytechnic offerings; (2) use existing university faculty, who might otherwise be considered redundant, to offer the arts and science components of the polytechnic education; and, (3) improve accessibility to polytechnic programs. It should be noted here, however, that while arts and science courses taught at Ryerson may appear to be the same as those taught at universities, in actual fact there is a fundamental difference in approach. In order to have university faculty teach arts and science courses within a polytechnic framework, there would need to be significant curricular revamping and a true commitment to the polytechnic concept.

As desirable as a move to applied arts and technology degree offerings may seem, Council urges the exercise of caution and careful planning before any polytechnic expansion is undertaken. At present the ratio of qualified applicants to freshmen enrolment at Ryerson averages about 1.9 : 1. Care must be taken not to open so many other programs that Ryerson's viability is threatened, nor to infringe upon the technical program areas which are in the domain of the Colleges of Applied Arts and Technology. Even more consideration must be given to the students entering polytechnic programs. The need for polytechnic programs must be measured not only in terms of student demand, but also in terms of the job opportunities available for students completing these programs. New programs should only be started in those areas designated by Ryerson and its advisory councils (drawn from the business community) as having both excessive student demand and ample employment opportunities for additional graduates. For its part, Council would not approve funding for any new polytechnical programs without consulting Ryerson.

In the final analysis it may well be found that society's need for polytechnic graduates may best be served by Ryerson exclusively. Indeed, the question may be asked as to whether it is appropriate to encourage or allow the expansion of a third stream of post-secondary education in Ontario of the kind described above when the entire post-secondary system will face the effects of a demographic downturn expected to begin in the early-1980's. However, if it is the conclusion of all concerned, and especially Ryerson, that there now exists a great need to expand polytechnic programs and accessibility in Ontario, consideration must be

given as to how this expansion should be carried out. Should all polytechnic expansion be left up to Ryerson, or should other institutions be involved?

If it can be proven that polytechnic expansion is needed in Ontario, it will also be important to determine where it should occur. Many believe that the successful polytechnic is a strictly urban phenomenon, and that a large metropolitan area is the only place in which the proper blend of student demand, student employment and external business community input into the actual programming, can be found. If the expansion is to take place in a non-metropolitan area, would Lakehead beckon as the institution most suited to offer polytechnic programs in addition to its regular university programs, given the diploma courses it already offers?

Undergraduate Part-Time Studies

Now, as in the past, Council does not attempt to forecast likely enrolment trends in the area of part-time studies. Dr. J. Porter of Carleton University is currently studying part-time students and his findings may well shed some light on the reasons for, and patterns of, part-time attendance. In any case, it is important to remember that universities face rugged competition in the part-time arena – from Colleges of Applied Arts and Technology, correspondence courses, interest courses offered in evenings by Boards of Education, and the like. Hence, it may be faulty to assume that universities will be able to absorb, through growth in part-time enrolment, the excess capacity which will result from declining full-time enrolment.

Undergraduate Arts and Science

It has been suggested that as the pool of eligible potential undergraduate students shrinks, universities will be motivated by the so-called "per student" funding formula (although greatly modified by averaging and discounting enrolment change) to compete among themselves for students. Competition could take many forms: stepped-up recruitment activities; more flexible admission standards; financial incentives to entice students to enrol (like reduced or free tuition, more generous scholarships, etc.); or, even mounting of popular but academically unsound programs. Council does not consider that the funding formula, with its fixed base, averaging and discounts on enrolment change, will lead universities to undertake excessive measures to attract students. Provided all can compete on approximately the same basis, and provided standards are not eroded, it is hard to imagine how competition can be viewed as a major threat to the system. In the final analysis the healthiest and highest quality programs will continue to be those which undertake ongoing self-analysis and constant improvement, and competition, be it for students or funding, is a significant motivating factor in this process.

At the same time, it is important to remember that enrolment is unlikely to decline evenly across the system. Unless some institutions are unable to moderate their enrolment declines and eventually stabilize Arts and Science enrolments, they will soon find themselves in very serious circumstances. Those institutions, on the other hand, which currently enjoy high levels of student demand, and those with professional programs, are probably not going to be as concerned with falling undergraduate Arts and Science enrolments because the rate of overall undergraduate decline will be dampened.

What then, if anything, should be done about declining undergraduate Arts and Science enrolment?

The setting in which Ontario's universities must come to grips with this problem is one characterized by a relatively "free market" situation with respect to the distribution of students among institutions and by a mechanism for allocating Government grants among the institutions which reflects enrolment levels but is highly desensitized to sudden changes in institutional enrolment levels. For its part,

Council would not be inclined to tamper with either of these characteristics for a variety of reasons.

The Operating Grants Formula with respect to undergraduate programs provides a very important element of public accountability through linking levels of support to levels of enrolment. At the same time, Council designed this allocative mechanism to provide the institutions with considerable fiscal protection against sudden enrolment declines. The stabilization feature of the formula is such that even if an institution's enrolment went to zero, funding based on 50% of its average enrolment in 1974–75, 1975–76 and 1976–77 would be guaranteed. Despite this protection, there remains the possibility that institutions might be able to convince Government to provide special "bail-out" funding in the event of a drastic enrolment decline. Council has grave concern about the effects that an action of this sort would have on the will of other institutions to cope with the difficult circumstances that will confront all in the coming years.

Council believes that retaining the relatively free "marketplace" with respect to the distribution of undergraduate Arts and Science students among institutions has a good deal of basic appeal. In the first place, it respects the Ontario tradition of institutional autonomy. Secondly, in a situation of overall enrolment decline this approach might well hasten the advent of institutional differentiation along lines of program specialization.

During the Spring, 1978 hearings Council found that the concept of planning appropriate undergraduate Arts and Science enrolment levels was favoured in some quarters. Council, for its part, would question the desirability of such a policy. In the first place, regardless of *who* would be given the responsibility for the setting of institutional targets, the question of *how* would have to be addressed.

It must be remembered that enrolment projections at the system level in Ontario, even those made for one year into the future, have been notoriously inaccurate. If quotas for each institution were to be rigidly stated, and if the system enrolment expectations turned out to be too low, there would be a real danger that qualified students might be denied entry to undergraduate Arts and Science programs. Setting institutional enrolment quotas would also potentially violate Ontario's tradition of free student choice, and in turn might well exacerbate the enrolment decline situation. For example, if a student were unable to enrol in the institution and program of his choice, he or she might decide against attending university.

Council now turns its attention to ways in which excess system capacity for undergraduate Arts and Science students might be reduced to reflect more closely the expected levels of student demand. The options considered must respect the probability that the Government will wish to ensure that all universities in Ontario continue to offer some services. In this context it must be remembered that at the local level universities have a special social impact. They have become important to their adjacent communities, particularly in smaller centres, for a variety of reasons. Universities are labour-intensive, and as a result offer a community employment possibilities and consumer spending. University purchases also stimulate the local economy. A university provides status and prestige to a community and, as well, expands the cultural activities available to its citizens. Finally, universities in smaller centres and in Northern areas improve accessibility for students in the region generally, and in some instances, for students living nearby who wish to, or must live at home. Because these considerations are "community specific", they tend to lead many to believe that an area-based legislature will not close any university. Accordingly, institutional closure is very likely an unrealistic solution to the enrolment problem.

This suggests three options which might be adopted. The first would reduce system capacity for undergraduate Arts and Science students through satellite

campus rationalization. The second would involve the merger of undergraduate programs at adjacent institutions. The final option would call for differentiation of undergraduate roles and offerings.

Council realizes that these options are not the only ones available, nor are they considered to be mutually exclusive. Rather, they are examined as ways, taken singly or in combination, of addressing a university system problem. Each option has direct implications for institutional autonomy and system control structures which are addressed in a later section of this paper.

Satellite Campus Rationalization: The first approach involves closing or modifying the functions of a small number of campuses without threatening the existence of the parent university, and without eliminating university level educational opportunities for the region served by the particular campus in question.

Regarding satellite campus closure, examples which immediately come to mind are the University of Toronto's undergraduate campuses at Scarborough and Erindale, and York University's Glendon College. If system rationalization is needed at the undergraduate level to reflect decreased student demand, is it appropriate to have five four-year undergraduate Arts and Science campuses in Metropolitan Toronto? Could some, or all, of the satellite campuses be closed without jeopardizing the parent institutions? If closure is not the answer, could the functions of these campuses be modified to assist in the system's need for reduced undergraduate capacity?

Council also sees a need to ensure that, at the undergraduate Arts and Science level, care be taken to avoid further build-up of fixed instructional resources (particularly tenured faculty) that could soon represent a serious element of excess capacity in the system. This could involve reorganization of an institution with multiple affiliated institutions to enhance flexibility for responding to changing demands without adding to overall physical or faculty capacity. For example, Laurentian and its affiliated university colleges might be integrated into a University of Northeastern Ontario, with four, or even more, campuses to serve the needs of the region. Faculty would be assigned, and programs offered, on a protem basis in response to local needs. In this way the satellite campuses, and off-campus operations, could continue to provide the same, or better, educational opportunities for the region that the affiliates now serve, but the institution as a whole would have more flexibility to respond to changes in student demand. This type of approach would not necessarily reduce the cost of providing university education in Northeastern Ontario. However, it would be in keeping with other efforts to rationalize the system and might well avoid future problems of regional excess capacity or program proliferation should the affiliates continue to develop along individual institutional lines.

Merging Undergraduate Arts and Science Programs: At geographically proximate institutions, one could visualize a situation where, if enrolment declined sufficiently, only the mass of a combined student body would be adequate to allow maintenance of a broad spectrum of program offerings. Council has already heard the views of Waterloo and Wilfrid Laurier, Carleton and Ottawa on the subject of merger, but nonetheless finds the concept of undergraduate program merger of continuing interest.

Institutional Role Differentiation at the Undergraduate Level: Council believes that, generally speaking, undergraduate role differentiation must be considered in the broader context of institutional role differentiation, and has turned its attention to this question in a later section of this paper. Nonetheless it is appropriate at this

juncture to raise one option for differentiation that is specific to undergraduate programs, namely, elimination of high cost honours programs in areas of specialization where demand declines. Council would be most interested in hearing institutional views on this option, and the cost savings that might result. As well, would independent institutional action along these lines necessitate increased involvement of the collectivity in the undergraduate area to ensure that in the system as a whole there would remain adequate coverage of specializations in four-year undergraduate programs?

Finally, in order to put the above discussion in proper perspective, we must keep in mind the objectives of Arts and Science undergraduate education. As in all other sectors of post-secondary education in Ontario, the prime objective is the provision of high quality education. In Arts and Science, the prime objective is specifically the provision of high general education. Before the decline began in 1977–78, Arts and Science experienced a large increase in enrolment. There are two possible reasons for this: (i) there were many people who wanted a general education; and (ii) many people thought it would lead to a good job. With respect to (i), Council believes Arts and Science education has served that purpose. However, regarding (ii), an Arts and Science education is not the road to riches for many. The universities must make it quite clear, especially at this time when they are attempting to cope with large declines in Arts and Science enrolment, that the primary purpose of an Arts and Science education is to provide a high quality general education, and not specific job training.

In the foregoing pages, Council has addressed, rather specifically, the problems of declining undergraduate enrolment and possible ways of coping with this decline. It now invites institutional responses to the issues and questions raised.

For its part Council is of the opinion that institutions should be left to adjust their operations to bring them into line with changes in demand for their services, and should be able to live within the resources provided through the current allocative mechanisms even in the event of severe enrolment drops. Despite the problems associated with likely enrolment declines and funding levels, the universities should be able to achieve the undergraduate goals of developing a more educated populace and educating and training people for the professions. Furthermore, provided the institutions are able to find the correct solutions to their problems, the quality of undergraduate programs in Ontario will be maintained.

Graduate Instruction

The graduate sector of the Ontario university system differs from other areas of university affairs in that its evolution has been characterized by a degree of control not found elsewhere. It has always been believed that graduate education is so important and so costly a venture that it has required this careful planning and coordination. Each year Council has issued an advisory memorandum on graduate planning. In addition, graduate program planning has proved to be an important subject of discussion during the annual meetings of Council, the individual universities and the Council of Ontario Universities (COU).

Therefore, even though the problems of declining enrolment and constrained funding which now face the graduate sector are the same as those which are being experienced in all other sectors, the solutions cannot be sought in the same way. In order to understand fully the situation and to determine ways of coping with it, one must be aware of the way in which the graduate enterprise has developed. For this reason, Council presents a summary of the evolution of the graduate sector up to this point before addressing the problems of the immediate future.

Historical Background

In the early 1960's existing institutions were expanded and new ones created in response to rapidly increasing needs and demands of society. The graduate sector, responding quickly to both the growing need for post-secondary educators and the pressure to expand research in Canada, was far from exempt from this tremendous growth and in fact surpassed the rate of growth of the undergraduate sector. It must be understood, however, that graduate studies began its enrolment growth from a disproportionately low base. Thus the increase in numbers of graduate students that was achieved in the growth years was not out of line with the increases at the undergraduate level. Indeed, growth in graduate studies was strongly supported by government, as was shown by the introduction of a system of Extended Graduate Program grants to help universities cope with the expansion. Also, the Province of Ontario Graduate Fellowship Program was introduced to aid graduate students who wished to pursue a career in post-secondary teaching. Although the government encouraged and financially supported this expansion, it did not interfere with the actual process. The responsibility for the careful planning of new programs of high quality was left to the universities. University autonomy, which has always been a basic characteristic of the Ontario university system, was respected.

By the mid-1960's there was growing concern over the pattern of development in the graduate sector. In 1965 a commission was appointed to study this development, and in 1966 the Report of the Committee to Study the Development of Graduate Programs in Ontario (Spinks Report) was published. Perhaps the most well-known recommendation contained in the report was that the University of Ontario should be formed. However, because of the value attached to maintaining the distinctive personalities of Ontario's universities, this recommendation found little support. The report did, however, contain many other recommendations of a less extreme nature. In some respects, the Spinks Report can be viewed as somewhat of a turning point in the development of graduate studies in Ontario. Until the time of publication of the report, the responsibility for the development of graduate programs was in the hands of the individual universities. After 1966, however, there began a move towards system-wide cooperation and coordinated graduate planning.

The first step in the evolution of cooperative graduate program planning was the introduction of the appraisals system. The main goal of the appraisals system was the assurance of academic quality. The Committee on University Affairs (CUA) strongly supported the appraisals process, as is evidenced by the following excerpt from its 1967 report.

> This system provides the first and perhaps most critical test for a graduate program – academic quality. The structure of the system and the use of external judges seems to provide for the utmost objectivity and fairness.[1]

However, although CUA supported the appraisals process, it felt that a satisfactory appraisal in itself was not sufficient for the approval of new programs.

> Appraisal is a necessary step in determining the feasibility of inaugurating a new graduate program, but it is not a sufficient criterion. Tests of need must also be applied.[2]

In this report the Committee also spoke of "effective rationalization of effort and resource allocation" and "more effective communication among the universities

1 *Report of the Committee on University Affairs* 1967, p. 24

2 *Report of the Committee on University Affairs* 1967, p. 25

and with the Committee on University Affairs." Even at that time of prosperity for the universities, the questions of academic quality, need, prevention of duplication, and cooperation were being addressed. While recognizing that these were important aspects of graduate planning, the Committee cautioned against the possible threat that too much control might pose to the system and to the principle of autonomy.

> In encouraging the development of graduate work in Ontario it is imperative that programs of such cost and importance be of high quality and carefully planned. Rapid but controlled growth, reasonable enough as a concept, presents certain challenges to traditional patterns of interaction and to fundamental notions of university autonomy.[1]

The next major stage in the evolution of coordinated, system-wide graduate planning was the formation of discipline groups which were concerned with graduate planning by discipline across the system, rather than for each university separately. In 1968 the Advisory Committee on Academic Planning (ACAP) was created. ACAP was given the task of advising and aiding in the development of these discipline groups. A concise description of the development of discipline groups and ACAP can be found in Advisory Memorandum 75–IV.[2] It is important to note here, however, that since their initiation they have come to play important roles in the development of the graduate program planning process in Ontario.

During the growth period much concern was expressed over the rapidly rising cost of the expansion. For this reason, in 1971 the Ontario Government placed an embargo on funding of all new graduate programs. This embargo was later modified to include only those disciplines which were felt to be in danger of over-expanding. ACAP was given the responsibility for the planning studies to be done in the embargoed disciplines.

By 1975, much concern was being expressed over the enrolment sensitivity of the graduate funding formula. It was felt by many that a funding formula which was less enrolment-sensitive would be more appropriate in the graduate area. In view of the importance of the graduate funding mechanism, Council invited the universities, during the 1975 Spring hearings, to offer their views on how the formula might be revised. Council also recognized that any formula revision of this kind would require careful consideration of all aspects of graduate work in Ontario. Accordingly, in Advisory Memorandum 75–V, [3] Council recommends to the Minister that the graduate funding formula be suspended for 1976–77 and 1977–78. This recommendation was later modified to include 1978–79. This "freeze", as it came to be known, served the dual purpose of affording Council the time in which to make a thorough examination of graduate funding, and providing the universities with the opportunity to assess their priorities and plan graduate work, both at the institutional and the system-wide level, without the financial pressures of an enrolment-sensitive funding mechanism.

While the period of formula suspension has provided both Council and the universities with the opportunities outlined above, it has also come to play an even more important role in the evolution of the graduate sector in Ontario. During the freeze two very important developments have taken place: the reformulation of the appraisals process by COU, and the determination, by OCUA, of the approach to be taken to graduate planning in the first quinquennium, 1979–80 to 1983–84.

1 *Report of the Committee on University Affairs* 1967, p. 23

2 Ontario Council on University Affairs, *Second Annual Report* 1975–76, p. 26

3 Ontario Council on University Affairs, *Second Annual Repart* 1975–76, p. 34

In 1977, COU presented newly revised by-laws pertaining to the graduate planning/appraisals process. These modifications place a much greater emphasis on quality than had previously existed in the planning process, and above all, ensure that all existing graduate programs in all disciplines will be subjected to rigorous quality appraisals. These revisions have been approved of and supported by Council. As yet, however, no discipline reviews have been completed under the new procedures. Council is anxiously awaiting the results of the implementation of the new procedures.

The abovementioned planning/appraisals modifications apply mainly to existing graduate programs. With respect to new programs, Council, in Advisory Memorandum 77–VII,[1] developed strict criteria for their approval. These criteria have been developed in accordance with the goals Council has established for the graduate sector for the first quinquennium, 1979–80 to 1983–84. It is not Council's intention to reiterate these objectives and criteria here, but rather to stress that they are based primarily on the aspects of quality and need, which are so important in graduate education.

The Future

The situation facing the university system as it enters the first quinquennium is one which creates much cause for concern. As can be seen in the tables in Appendix III–2 graduate enrolment is in decline, and this decline is expected to continue. Continuing enrolment decline, when combined with the constrained funding which is being experienced by all sectors of the university system, leads Council to ask a fundamental question: will the controls now in existence be sufficient to ensure the maintenance of a high quality graduate enterprise in Ontario? At present the Council does not know whether the new planning/appraisals processes will be rigorous enough to eliminate all of the existing graduate programs which are of less than good quality. Nor can Council be sure that COU will adopt a stricter stand than heretofore regarding the funding of new graduate programs in line with the funding criteria established in Advisory Memorandum 77–VII. Council is, however, in the process of formulating new funding allocation mechanisms which are geared to promoting system-wide stability in the face of declining enrolment.

Council will continue to watch with great interest the progress of graduate planning in Ontario and hopes that the new procedures regarding both existing and proposed graduate programs will be sufficient to ensure the continued development of a high quality graduate enterprise. The maintenance of high quality graduate programs and the elimination of poor quality programs has always been a prime objective of the university system. Now, more than ever, it is absolutely essential that this objective be realized through the agencies of COU and ACAP and using the criteria and objectives iterated by Council. Council is committed to awaiting the outcome of the control procedures before taking further action but would not hesitate to introduce further controls, should there be any indication that they are necessary.

Council does not believe that the situation in the graduate sector at present stands in the way of achieving the university system's goals. However, questions of control and planning mechanisms aside, Council is concerned that graduate rationalization and disciplinary evolution have been considered in isolation. Council believes that future rationalization and planned evolution must take into account the interaction between the graduate and undergraduate sectors and the institutional profiles which thus emerge. Accordingly, Council now turns its attention to the subject of rationalization through institutional role differentiation.

1 Ontario Council on University Affairs, *Fourth Annual Report* 1977–78, p. 55

Institutional Role Differentiation

The concept of institutional role differentiation in the Ontario university system is one that has been cited often, in recent years, as a desirable aim. With a future of falling demand for university level instruction combined with fiscal stringency, the attractiveness of institutional role differentiation is likely to grow, at least from the perspectives of the public and the government, as a way in which system resource commitments might be brought into line with student demand levels through elimination of duplication and through consolidation.

From its own perspective Council believes that considerable institutional differentiation already exists in Ontario. This is due in part to the way in which the universities evolved, and in part to the regulatory processes that have had a bearing on new program initiatives during the past decade. The current differentiation among institutions in Ontario occurs through a combination of disciplinary emphasis and breadth of instructional offerings. Some universities are known for particular disciplinary strengths, some for the breadth of professional schools and some for their regional or other character. Of course, there is duplication of programs in the system. To some extent this is necessitated by the nature of a university and the way in which Ontario's universities evolved as independent institutions. Council's concerns with unnecessary duplication at the graduate level have led it to encourage the system to examine and begin to resolve this problem during the first graduate planning quinquennium. Moreover, Council believes that there remains some scope for increased role differentiation among the universities based on disciplinary emphasis and level and range of instructional offerings. Without prejudging which institutions might fall into each, Council suggests the following four categories:

1. Institutions oriented primarily toward undergraduate Arts and Science, with few, if any, undergraduate professional programs and no graduate programs.
2. Institutions oriented primarily toward undergraduate Arts and Science and selected undergraduate professional programs. Institutions falling into this category might have, as well, limited offerings at the master's level to meet specific regional needs and opportunities.
3. Institutions which offer a broad range of programs at the undergraduate and master's levels, including professional programs, with doctoral programs in fields restricted to the institution's particular strengths in one or two graduate sectors.
4. Institutions which offer a broad range of programs at all levels of instruction. Programs at the graduate level would likely be offered in each of the four general graduate divisions, but not necessarily in all disciplines.

Council will be interested in hearing from the universities the extent to which further role differentiation along the lines suggested might be a feasible and appropriate solution to the system's dual problems of enrolment decline and fiscal stringency. For its own part Council does indeed feel that movement in these directions would assist in the effective utilization of public funds through elimination of areas of unnecessary duplication. Because the foregoing discussion has been motivated by considerations of declining enrolment and stringent funding, institutional role differentiation is examined solely in the context of instructional offerings. In responding to Council's thoughts on this subject the universities should elaborate upon the extent to which the research and public service functions would be influenced by institutional role differentiation along instructional program lines.

Any consideration of institutional role differentiation immediately generates a host of questions. Can effective differentiation be achieved through independent

institutional decision-making? If not, who should determine each institution's role in the system and through what means? Questions of this nature in turn raise fundamental questions of control mechanisms and structures, university autonomy and public accountability, all of which are discussed in Part IV of this paper.

Research

As stated in an early section of this paper, research is a vital function of the university. In Canada, research in the universities has been supported by both the federal and provincial governments. The federal support has been provided primarily through the national granting agencies, the National Research Council, the Medical Research Council and Canada Council. Using NRC as an example, it is clear that two features of that agency's policy have been essential to the maintenance of quality and the level of research in Canadian universities. First, NRC has provided the necessary mechanism for peer judgment of research. The funds have gone to competent researchers and meritorious projects regardless of which university housed the project. An important product of the policy is that universities have been assisted in identifying their strengths, and centres of international reputation have emerged. Second, some funds have been provided to all universities in the form of special grants because NRC recognized the need for research at every institution.

Provincial support for research has been provided through the normal operating grants and as operating grants have increased, so has the funding for research. For example, the number of full-time faculty increased substantially over the last 20 years and faculty members are normally paid both to teach and to do research. Also, the Government of Ontario has supported research in the universities through direct grants or contracts. The Ministry of Agriculture and Food contract with the University of Guelph is an example of such an arrangement which appears to be beneficial to both parties. Research funds also come to the universities from foundations and through the proceeds of lotteries, as well as other assorted avenues.

Although the level of research activity in the universities and in Canada generally has increased in the past 20 years, it is still significantly below the level of most industrialized countries. At present, the total Canadian expenditure for research and development is equal to 0.9% of the gross domestic product (G.D.P.) as compared with 2.3% for Holland and Germany and 2.5% for the U.S.A. The industrial sector accounts for one-third of our expenditure on research and development while the remaining two-thirds is spent by governments and the universities.

The promotion of research has been a difficult task in Canada. The national granting agencies have been sympathetic and supportive of research in the universities and governments themselves have conducted a significant amount of research. On the industrial front, however, there has been little incentive for Canadian companies to be actively involved in research and development. Some have built up research programs of a substantial nature but others have been content to import their technology from elsewhere. In Canada, unlike the situation in many developed countries, industry has made only limited use of the research capacity of the universities.

The need for research in a country trying to promote industrial growth appears to be obvious and yet no national priority has been given to research until very recently. It is difficult to understand the past Canadian attitude as far as applied research and development is concerned. It is not as difficult to understand our restricted funding for basic research because in some minds it is thought to be not very useful. There is no immediate impact from basic research but over a period of years it shapes our thinking about technology, our environment and our culture. Information obtained yesterday fits with new information gained today and the

pyramid of knowledge grows step by step. The accumulated new knowledge and new techniques become the basis upon which industry and culture develop.

The rather sad state of research in Canada today has apparently been recognized at long last by the Government of Canada. It is clear from the initiatives proposed by the Ministry of State for Science and Technology (MOSST) that an attempt is being made to increase the amount of research done in Canadian industry, to increase collaborative efforts between universities and industry and to encourage research on matters of national priority. Included among the initiatives proposed,[1] of particular interest to the universities, were:

(a) a national target for research and development expenditures of 1.5% of G.D.P. by 1983 (but with unstated manpower implications);

(b) a $3 million program under Canada Works to create jobs for scientific and technical personnel to undertake research projects in universities at the request of Canadian firms;

(c) establishment, over the next two years, of up to 5 regional university-based Industrial Research and Innovation Centres (IRIC) with $2 million being made available this year;

(d) creation of Centres of Excellence on a regional basis to achieve better integration of government, university and industrial research capacity that will be based on the natural and human resources of each area; and,

(e) an increase of $10 million this year in the budgets of the granting councils for university research in areas of national concern.

The measures listed above, taken in addition to the incentives contained in the last Government of Canada budget, should stimulate research in the universities. It is hoped that the universities will be responsive to the government proposals involving joint research efforts with industry. Several universities already appear to have begun to develop closer ties with industry and the funds provided by government should be an added stimulus. Also, increased funding for research proposals on subjects of national priority should be welcomed by the universities since they responded very favourably last year to the NRC initiatives in this area.

The Current Concern

Why is Council concerned about the level of research support in Canada? To understand the problem fully, it is necessary to look at the situation that prompted the June 1 announcements by MOSST. Industrial research is low in comparison to other countries. In addition, the gains made in promoting university research in the 1960's have been seriously eroded due to inflation in the 1970's. What does the future hold?

The figures shown in Part II of this paper give some measure of the possible consequences for the universities of restricted funding. The universities will likely be forced to reduce faculty and staff complement to live within their income. As unpleasant as that will be to the university community, an even more serious consequence may be that very few new scientists and researchers will be able to find positions in universities or elsewhere. Most of the faculty members of the universities and the scientists of research establishments in government and industry are below 45 years of age with years ahead of them before normal retirement. Because of the skewed age distribution and because of restricted funding for research in general and the universities in particular, Canada faces the serious problem of

1 "Research and Development in Canada: A Discussion Paper", Ministry of State for Science and Technology, June 1, 1978

having a whole generation of scientists with no place to use their talents. In the long run this situation could deter young people from entering graduate school and embarking upon careers in research. Canada could end up with one generation of scholars with no positions and the next generation of students with no interest in research because they perceived no employment opportunities. Naturally enough, the universities would like to be able to hire young people to stimulate research and maintain scholarship. Indeed, the availability of some new blood each year is essential to the good health of the universities. However, the availability of researchers to the universities is only part of the real concern, namely that well-qualified research persons should be given opportunities somewhere in Canada because the country needs the emphasis on research.

It is essential that the research force in Canada be maintained and strengthened. There will be a critical need for renewal as the current researchers grow older. New manpower must be brought into the system through whatever initiatives are necessary.

The important question at this time is whether in the opinion of the universities the new federal research initiatives are enough to alleviate their problems. If, through the increase in grants to the federal granting agencies and the industry-university schemes, the universities are able to hire enough young people in research positions one of Council's main concerns about the future will be removed. Council believes that collectively and individually the universities should be analyzing the new proposals of the Government of Canada in terms of how many research positions will be available in conjunction with the increased funding. If the number is small, the universities might consider asking the federal granting councils to seek funds for several hundred five-year research career awards to be granted competitively. The recipients could be free to choose a Canadian university or other research establishment as long as the area of research was one designated as a national priority.

As far as provincial support for research is concerned, it is clear from recent statements by the Premier of Ontario that the government is aware of the importance of research to a province whose economy is industrially based. Therefore, the possibility of further provincial initiatives in this area should not be discounted. Research could be stimulated in Ontario by several mechanisms including tax concessions to industry or by the establishment of a special industrial research fund by the province. Such a fund might be used to support projects which have been submitted jointly by industry and one or more universities. The projects themselves should, of course, be of direct importance to the industrial base of Ontario.

From the foregoing, it will be clear that Council has serious concerns about the future of research in the universities and in Canada as a whole. The results of the new federal government initiatives should be monitored very closely over the next two or three years. If the research targets are not being reached, governments should have no hesitation in taking further steps to ensure a satisfactory research effort. As far as the universities are concerned, Council is interested in hearing from them about the adequacy and the implications of the special measures proposed by MOSST. Are the universities prepared to accept the new role that is envisioned and can they accommodate to the implied shift towards more applied and less basic research?

On a final note, Council states its opinion that new funding from whatever source should not be used to promote graduate studies but to provide research associates and technicians. The graduate instructional enterprise does not need significant expansion at this time. The number of research positions must be increased so that persons who do graduate can contribute to the increased research effort so vital to the future of the country.

A university system without a high level of research cannot possibly fulfill its mandate to the public. However, as with the other academic functions of universities, it does not follow that all should be involved in research to the same extent. Despite the importance of promoting research in all universities, a measure of priority should also be given to the development of major research centres in universities with existing research strengths in the appropriate subjects.

Part IV: Autonomy and Control: Structural Alternatives

During its 1978 hearings with the university community, Council was impressed, as never before, with the opposing views held by the institutions and provincial organizations alike concerning the appropriate roles and potential effectiveness of OCUA, the Council of Ontario Universities (COU), and COU's affiliates such as the Advisory Committee on Academic Planning and the Ontario Council on Graduate Studies. As well, opinions varied widely on the subject of the general policy development and approval mechanisms that have evolved in the Ontario university sector. Indirectly, responses of the institutions and provincial organizations to the specific questions and issues raised in this paper will provide commentary on the appropriateness of the structures which govern university affairs in Ontario.

An important characteristic of Ontario's universities is that most began as private institutions. Despite their having become predominantly dependent upon Government for financial support, the universities have not lost their individual traditions and characters, and have maintained very important links with the private sector. These links are vital to the health of our universities and our society. Individual and private giving permits the universities to offer a level of service that would be impossible without this source of revenue. Equally important are the special relationships that exist between the institutions and their local communities. Strong community involvement in the universities and equally strong university involvement in the local community are vital if the university is to retain relevance to the society it serves.

In terms of their degree of independence, the institutions currently fall somewhere between full autonomy and total Government control. Council's purpose, in this section, is to bring to the fore issues related to the structure and the policy-setting processes as these affect the degree of independence enjoyed by Ontario's universities. However, to deviate momentarily for illustrative purposes, Council would point out that there are already a number of areas where a university's statutory independence to act is severely curtailed. An example with significance to the immediate fiscal future of the institutions concerns tuition fees. In effect, the determination of tuition fee levels has become a process in which these fees are treated as if they were a form of Provincial Government revenue: in recent years the Government has, de facto, set university tuition fees. This type of "lost" autonomy lies outside the realm of control structures which are discussed in this paper. Nonetheless, Council is aware of the extent to which controls of this nature are being imposed on the universities.

Council believes that it is important for all concerned to keep a watching brief on the extent to which a balance is maintained between public accountability and institutional autonomy. As well, Council has a particular interest in assessing the value of its current role, and how this might be adapted in response to current problems.

What may well be found, through institutional replies to Council's questions, is that current structures and controls at the system level are unnecessary, and that what is indeed needed is less external control and more institutional autonomy – a return of the universities to the private sector. Alternatively, there may be indications of a desire for full and direct central administrative and academic control of all institutions – a "University of Ontario" model. To Council it is obvious that the long history of continuity and gradual change in Ontario make it extremely unlikely that the structure and control of university affairs could undergo significant or rapid change. Hence Council now turns its attention to less radical options. Falling between the two examples mentioned above there are at least four, more moderate, structural arrangements: the current model; the current structure with OCUA discontinued; the current structure with a somewhat different role for OCUA involving

limited executive authority; and, finally, replacement of OCUA with a university grants commission.

The Current Structure

As mentioned earlier, the Ontario system has a rather singular arrangement at the government/university interface. The universities have virtually total autonomy in the area of academic affairs and are fully responsible for internal fiscal management. At the same time the institutions are almost totally dependent upon the Government for their operating finances. Public accountability for the significant level of support given to the universities is ensured through the allocative formula used to distribute funds and the procedures in place to regulate which programs shall be eligible for funding. Council sits, as a buffer body, between the institutions and the Government. Its role is manifold – developing and advising the Government on general policy issues as well as specific matters, promoting liaison, and at the same time keeping some distance, between Government and the universities, and maintaining a public interest overview of developments in Ontario universities.

A feature of the current arrangement is that through the presence of OCUA, and its advisory involvement in the policy development area, Government's decisions with respect to the university system are considerably more public than might otherwise be the case. In giving its advice, OCUA spells out fully the rationale underlying its conclusions and, if Government rejects Council's advice, reasons are usually given for the decision. Also, the current structure has appeal in that it has the flexibility to adapt, albeit gradually, to changes in the environment. For example, even in its brief life-span OCUA has taken on a considerably more interventionist role than that with which it began, and now has even gone so far as to set system objectives and the rules to be followed by institutions in achieving system goals.

On the other hand, the current structure might well be criticized on at least three grounds. First, the degree of autonomy enjoyed by the institutions might be seen in some quarters as a roadblock to effective and speedy system rationalization. Many believe that a great deal of rationalization is required in the system and that this indicates a need for a strong central authority to institute planned system-wide changes. Second, there is always the danger that Council's advice might not be sought on matters of precedence-setting importance. Third, and finally, because the structure is somewhat relaxed and because OCUA lacks executive authority, institutions may still approach Government directly for their own benefit. Government's response to direct requests might potentially be contrary to whatever advice OCUA might give in light of system-wide considerations.

Before proceeding to examine other structures which might be proposed for Ontario, Council would request responses to this analysis of the current arrangement. In particular, Council would like to know whether the university community and Government feel that the current structure can be maintained and at the same time hasten and improve changes directed toward effective system rationalization. What should be the functions of a buffer which lacks executive authority? OCUA is tending, more and more, toward active involvement in the decision-making process as evidenced by its new role in the graduate program funding approval process. Has this been desirable? Are there other areas in which OCUA should increase its activities without actually taking on executive authority?

Abolishing the Intermediary Body

There is, of course, always the option of discontinuing OCUA and leaving the institutions to deal directly with Government. In itself, this option would not necessarily alter the current degree of institutional autonomy or the latitude present in the system for local initiative and timely responses to local demands. To the extent

that OCUA provides a credible element of unbiased input to the decision-making process and assists in making the rationale for Government decisions more public, discontinuation of OCUA might jeopardize these features. Nonetheless, some institutions might feel that Government responses would be accelerated in the absence of an intermediary body and that their individual interests would be better served by approaching Government directly with requests.

To explore this option in the clearest of possible terms, Council poses the following questions. Do the institutions see OCUA as a stumbling block between themselves and Government? In the absence of an intermediary body like Council, how would the decision-making process take account of the public interest and system needs? How would the interests of the public and the system be protected against the effects of special political pleading? Would system rationalization be more rapid and effective if handled directly by the Ministry of Colleges and Universities? Would more direct Government involvement in university affairs threaten institutional autonomy?

Limited Executive Authority for the Intermediary

This alternative and the next are put forward in response to criticism, received during Council's 1978 hearings, that the Ontario university system lacks leadership. If this criticism is well-founded, it implies that COU, because it is a voluntary association of institutions with differing vested interests, has severely limited effectiveness. For example, the collectivity is currently responsible for disciplinary planning of programs at the graduate level. If it is generally felt to be true that the system lacks leadership, it might, then, be construed that effective leadership should reside with OCUA, since OCUA might be able to be more decisive, particularly with respect to issues involving rationalization.

This option, then, posits a structure in which OCUA would be given limited executive authority for such specific matters as program approval, and would retain its advisory role vis-à-vis Government on major general issues such as total funding, accessibility, and the allocation of funds. Assessment of the need for programs and other factors of public interest would be conducted entirely by OCUA. The role of COU and its affiliates would be that of ensuring program quality.

Council has the impression that an approach of this type might find favour in some quarters, and hence poses the following, rather blunt, questions: What is the likelihood of Government giving OCUA even limited executive authority? Once given executive authority, could OCUA continue to act as a buffer and advisor with sufficient credibility in the eyes of both Government and the universities? Is the concept of "limited authority" valid – what clout would OCUA need to have to enforce compliance with its plans? Can executive authority for program approval be separated from authority to allocate funds? What impact would an increase in executive authority for OCUA have on institutional autonomy?

University Grants Commission

A university grants commission may take many forms. Its functions and authority may be strictly limited or very extensive. For the purposes at hand, Council sets as the essential difference between the last option and this one, the addition to the intermediary body's mandate of the authority to allocate funds among the institutions.

In practice, a university grants commission of this sort would dilute current institutional autonomy to a considerable extent in that, through specific funding decisions, it would become involved in planning at both the system and institutional levels. It would determine how many, and what type of, programs and students to fund at each institution. It would have advisory capacity in the area of global grant

support and other major policy issues over which Government would retain control, such as financial assistance for students. Institutions would continue to be self-administered in terms of hiring, determining program content, admissions, and the like.

It must be clearly understood that, of the options considered, this represents the most radical departure from the present structure. Again, Council poses what it hopes are the key questions which must be asked if such a departure is contemplated. Would a grants commission model secure system rationalization more effectively than the other options involving an intermediary body? Is the price, in terms of university autonomy, too high? Is it reasonable to expect that any government in Ontario would ever approve this kind of approach given Ontario's history of autonomous institutions? Could a university grants commission retain credibility as an unbiased advisor to Government? In the Ontario context, would it be possible for an intermediary body of this type to retain an arm's length relationship with Government?

In the foregoing, Council has outlined very briefly the advantages and disadvantages of four possible structures at the interface between the university system and Government. It is quite clear that the university community is also exploring this area, and Council will be eager to hear specific responses to the questions it has posed.

Epilogue

In summary, Council believes that the critical issues now facing the university system involve the level of private and public financial support, the level of student demand for undergraduate, professional and graduate study, the maintenance of an adequate research capability, the rationalization of operations and aspirations in line with the level of service required, and the maintenance or alteration of the current structures of autonomy and control. It is the responsibility of the universities, individually and collectively, to face these issues. In the final analysis, the decisions taken by the institutions will determine the quality of Ontario's university system.

Changing circumstances will not affect the goals for the universities described in Part I of this paper but they may lead the universities to modify their emphases and the way in which they pursue the same basic goals. For example, the goal of developing a more educated populace may become less a matter of large numbers of full-time undergraduate students than has been the case in recent years. The goal of educating and training people for the professions may have to be pursued less indiscriminately than in the past with more attention being given to the relationship between overall university system output and employment prospects for graduates. Providing for study at the highest intellectual level will remain a key goal but may involve fewer graduate students and, indeed, might yield in priority to the system's need for a balanced age distribution among university researchers. Pursuit of the goal of conducting research may well require the universities to become more involved in development and evaluation without jeopardizing their very important basic research role. Finally, the goal of community service may come to be pursued by the universities through the development of closer ties with the community at large and an even greater volume of direct service to the private sector and to government at all levels.

Council is confident that Ontario's universities will succeed in their ongoing pursuit of the goals for the system and looks forward with great anticipation to its 1979 hearings with the university community at which time the issues and questions raised in this paper will be discussed.

Appendices

Appendix II–1

Sensitivity of Models to Changes in Parameter Values

Some general comments can be made about the sensitivity of these models to changes in the initial values of the parameters. If inflation is assumed to be at an 7% level rather than the initial 6% revenue increases to the university system will be from 0.8% to 1.0% higher than those generated by the models. If Government grants pick up the entire additional 1% inflation in revenue they will be 1.3% higher than at present.

An enrolment decline of 4% per annum will cause an additional 1% decrease in tuition fee revenue. In the case where Government grants are related to enrolment (Model 2), they too will fall. The effect on university revenues can be to have increases up to 1.4% lower than indicated in the base case. Conversely if enrolment falls less than 3%, fee income will be higher and the grants in Model 2 will be higher.

Tuition fee increases provide a means by which university revenues may rise. If tuition fee rates rise by the same percentage as the increase in grants, they may generate up to an additional 1.2% increase in total university revenues per annum.

Appendix II–2

Implications of Alternative Funding Models

MODEL 1	1979–80	1980–81	1981–82
1. Benchmark Expenditure ($m.) (from Table 5)	1008.1	1085.8	1169.5
2. Revenue ($m.) (from Table 2)	907.8	1041.4	1098.1
3. Accumulated shortfall ($m.) (Benchmark expenditure less revenue)	20.3	44.4	71.4
4. Illustrative options available to university system to match shortfall:			
(a) accumulated % decrease in faculty and staff salary and benefit expenditures if these absorb the entire shortfall, OR	2.5	5.1	7.5
(b) accumulated % decrease in non-salary expenditures if these absorb the entire shortfall, OR	10.2	21.1	32.0
(c) accumulated % decrease in total operating expenditures if all areas of budget absorb the shortfall equally	2.0	4.1	6.1
5. Accumulated number of *faculty* positions implied by each option if cuts are made from positions:			
(a)	305	622	915
(b)	0	0	0
(c)	244	500	744
6. Student–faculty ratios implied by each option:			
(a)	15.0	15.0	14.9
(b)	14.7	14.2	13.8
(c)	15.0	14.8	14.7

MODEL 2	1979–80	1980–81	1981–82
1. Benchmark Expenditure ($m.) (from Table 5)	1008.1	1085.8	1169.5
2. Revenue ($m.) (from Table 3)	977.3	1020.3	1065.2
3. Accumulated shortfall ($m.) (Benchmark expenditure less revenue)	30.8	65.5	104.3
4. Illustrative options available to university system to match shortfall:			
(a) accumulated % decrease in faculty and staff salary and benefit expenditures if these absorb the entire shortfall, OR	3.8	7.5	11.0
(b) accumulated % decrease in non-salary expenditures if these absorb the entire shortfall, OR	15.5	31.1	46.8
(c) accumulated % decrease in total operating expenditures if all areas of budget absorb the shortfall equally	3.1	6.0	8.9
5. Accumulated number of *faculty* positions implied by each option if cuts are made from positions:			
(a)	464	915	1342
(b)	0	0	0
(c)	378	732	1086
6. Student–faculty ratios implied by each option:			
(a)	15.2	15.4	15.5
(b)	14.7	14.2	13.8
(c)	15.1	15.1	15.1

MODEL 3	1979–80	1980–81	1981–82
1. Benchmark Expenditure ($m.) (from Table 5)	1008.1	1085.8	1169.5
2. Revenue ($m.) (from Table 4)	966.4	993.0	1020.9
3. Accumulated shortfall ($m.) (Benchmark expenditure less revenue)	41.7	92.8	148.6
4. Illustrative options available to university system to match shortfall:			
(a) accumulated % decrease in faculty and staff salary and benefit expenditures if these absorb the entire shortfall, OR	5.2	10.6	15.7
(b) accumulated % decrease in non-salary expenditures if these absorb the entire shortfall, OR	21.0	44.1	66.6
(c) accumulated % decrease in total operating expenditures if all areas of budget absorb the shortfall equally	4.1	8.5	12.7
5. Accumulated number of *faculty* positions implied by each option if cuts are made from positions:			
(a)	634	1293	1915
(b)	0	0	0
(c)	500	1037	1549
6. Student–faculty ratios implied by each option:			
(a)	15.5	15.9	16.4
(b)	14.7	14.2	13.8
(c)	15.3	15.5	15.8

Appendix III–1

Table A

Total Undergraduate Enrolment (FFTE's)

	1976–77	1977–78	% Change from 1976–77
Brock	3635.8	3439.4	– 5.4
Carleton	10728.7	9956.9	– 7.2
Guelph	10147.7	10062.2	– 0.8
Lakehead	3469.6	3580.5	3.2
Laurentian	3761.2	3482.0	– 7.4
Algoma	488.9	464.0	– 5.1
Nipissing	641.9	571.5	–11.0
Hearst	132.6	96.5	–27.2
McMaster	10759.6	10457.5	– 2.8
Ottawa	12944.1	12562.2	– 3.0
Queen's	10683.1	10543.1	– 1.3
Toronto	31920.9	30643.6	– 4.0
Trent	2826.4	2813.2	– 0.5
Waterloo	13808.2	13829.8	0.2
Western	18385.4	17814.0	– 3.1
Wilfrid Laurier	4527.0	4441.4	– 1.9
Windsor	9764.1	9089.2	– 6.9
York	16364.4	15446.0	– 5.6
Total	164989.6	159293.0	– 3.5

Note:
All tables exclude the Theological Colleges which are funded at 50% of the Provincial Operating Grant level.

Table B

Undergraduate Enrolment

	Arts/Science		Professional		Other		Total	
	No.	%	No.	%	No.	%	No.	%
1975–76	92015.0	62.8	50745.9	34.6	3742.6	2.6	146503.5	100
1976–77	92276.3	62.1	52938.8	35.6	3410.1	2.3	148625.2	100
1977–78	87062.4	60.2	53756.1	37.2	3556.4	2.5	144374.9	100

Note:
1. These figures exclude York because it reports enrolment only as Unspecified Undergraduate and Law.
2. The 1975–76 enrolment figures are FTE enrolment and the 1976–77 and 1977–78 enrolment figures are FFTE enrolment. The 1975–76 and 1976–77 figures are Final Actuals but the 1977–78 figures are those of the December count, including Anticipated Actual Winter Term enrolment.

Table C

Enrolment

	1976–77	1977–78	% Change
University FFTE Undergraduates	164989.6	159293.0	– 3.5
Ryerson (FFTE's)	9584.5	10389.1	8.4
OCA (FFTE's)	1603.4	1651.5	3.0
CAAT's (Full-Time Post-Secondary)	58757.0	61094.0	4.0

Table D

First Year Intake of Full-time Undergraduates (Fall)

	1974–75	1975–76	1976–77	1977–78
Brock	691	805	860	723
Carleton	2386	2510	2625	2436
Guelph	2372	2102	2408	2302
Lakehead	610	615	713	703
Laurentian	732	769	861	719
Algoma	104	104	98	90
Nipissing	103	112	108	71
Hearst	16	12	17	7
McMaster	2820	3102	3001	2831
Ottawa	2261	2026	2059	2188
Queen's	2119	2288	2244	2151
Toronto	7419	7300	7387	7495
Trent	761	844	895	757
Waterloo	3997	3954	3989	3753
Western	4820	4831	4624	4575
Wilfrid Laurier	818	888	955	1001
Windsor	1612	1935	1909	1553
York	3327	3697	3830	3182
Total	36968	37894	38583	36537
(% change)		(2.5)	(1.8)	(–5.3)

Note:
These figures are Freshmen Intake only. They do not include first-year intake into Diploma, Non-Degree or Selected Programs.

Appendix III–2

Table A

Total Graduate (FTE) Enrolment (Fall and Summer)

	1974–75	1975–76	1976–77	1977–78
Brock	59.3	77.0	74.1	60.2
Carleton	889.3	1150.2	1133.3	1089.8
Guelph	608.1	661.0	649.4	593.6
Lakehead	123.1	143.9	158.2	148.1
Laurentian	62.9	68.0	65.9	72.6
Algoma	—	—	—	—
Nipissing	—	—	—	—
Hearst	—	—	—	—
McMaster	1461.6	1451.4	1347.9	1246.7
Ottawa	1921.4	1984.1	2102.3	1907.5
Queen's	1228.5	1225.5	1235.1	1255.9
Toronto	4985.4	5045.2	4901.8	4348.1
Trent	13.5	16.2	21.7	26.4
Waterloo	1242.7	1396.5	1311.7	1135.9
Western	1621.1	1627.2	1614.4	1648.5
Wilfrid Laurier	228.1	253.3	322.7	324.8
Windsor	528.6	595.0	595.5	642.9
York	1393.4	1547.7	1605.3	1456.5
OISE	1565.4	1573.6	1667.0	1683.8
Total	17932.4	18815.8	18806.3	17641.3

Table B

Total Full-time Graduate Enrolment (Fall)

	1974–75	1975–76	1976–77	1977–78
Brock	56	71	69	56
Carleton	710	926	899	875
Guelph	573	622	611	566
Lakehead	78	95	100	88
Laurentian	41	44	41	42
Algoma	—	—	—	—
Nipissing	—	—	—	—
Hearst	—	—	—	—
McMaster	1262	1239	1155	1064
Ottawa	999	1055	1196	1138
Queen's	998	1002	1050	1025
Toronto	3927	3942	3891	3777
Trent	12	15	19	24
Waterloo	1086	1213	1146	979
Western	1503	1517	1493	1509
Wilfrid Laurier	171	193	249	242
Windsor	417	469	459	510
York	1073	1176	1197	1080
OISE	505	542	546	557
Total	13411	14121	14121	13532

Table C

Total Part-time Graduate (FTE) Enrolment (Fall)

	1974–75	1975–76	1976–77	1977–78
Brock	3.3	6.0	5.1	4.2
Carleton	177.3	221.7	228.3	208.8
Guelph	35.1	39.0	38.4	27.6
Lakehead	21.6	25.5	23.7	27.6
Laurentian	21.9	24.0	24.9	30.6
Algoma	—	—	—	—
Nipissing	—	—	—	—
Hearst	—	—	—	—
McMaster	199.6	212.4	192.9	182.7
Ottawa	581.4	608.1	592.8	515.5
Queen's	135.0	138.0	124.5	129.9
Toronto	596.4	611.7	543.3	552.6
Trent	1.5	1.2	2.7	2.4
Waterloo	148.2	172.5	158.7	150.9
Western	111.6	103.2	113.4	135.0
Wilfrid Laurier	20.1	19.8	34.2	31.8
Windsor	111.6	126.0	136.5	132.9
York	317.4	371.7	408.3	376.5
OISE	474.9	453.6	525.0	550.8
Total	2956.9	3134.4	3152.7	3059.8

Table D

Full-time Graduate Enrolment
Fall Intake – Master's, Diploma and First Stage Doctoral

	1974–75	1975–76	1976–77	1977–78
Brock	15	43	30	26
Carleton	356	473	373	386
Guelph	206	211	198	182
Lakehead	52	76	36	55
Laurentian	25	18	17	28
Algoma	—	—	—	—
Nipissing	—	—	—	—
Hearst	—	—	—	—
McMaster	512	446	391	364
Ottawa	397	393	453	392
Queen's	521	416	446	413
Toronto	1317	1494	1422	1341
Trent	10	6	11	9
Waterloo	351	373	299	255
Western	637	645	632	612
Wilfrid Laurier	101	112	115	93
Windsor	199	235	255	217
York	450	479	476	366
OISE	160	184	181	157
Total	5309	5604	5335	4867
Total Annual % Change		(5.6)	(–4.8)	(–8.8)

Table E

Full-time Graduate Enrolment
Fall Intake – Second Stage Doctoral

	1974–75	1975–76	1976–77	1977–78
Brock	0	0	0	0
Carleton	40	53	59	40
Guelph	15	20	33	23
Lakehead	0	0	0	0
Laurentian	0	0	0	0
Algoma	—	—	—	—
Nipissing	—	—	—	—
Hearst	—	—	—	—
McMaster	136	91	101	79
Ottawa	66	56	47	55
Queen's	81	94	93	73
Toronto	211	475	414	399
Trent	0	0	0	0
Waterloo	75	76	78	56
Western	117	116	102	81
Wilfrid Laurier	0	0	0	0
Windsor	34	42	41	11
York	91	130	42	29
OISE	101	87	104	90
Total	967	1240	1114	936
Total Annual % Change		(28.2)	(–10.2)	(–16.0)

Council's Advisory Memoranda

78-I Government Support for the University System in 1979-80

In this Memorandum, Council tenders its funding advice for the Ontario university system in 1979–80 under two master headings, Operating Grants and Capital Assistance. Advice this year is submitted approximately two months earlier so that Council's recommendations may be available as Government begins its consideration of 1979–80 funding levels.

Operating Grants

1978–79 Government Support in Retrospect

The operating grants provided by Government for 1978–79 failed to cover the costs of Council's basic funding objectives for that year, which were: (1) "to offset inflationary trends", (2) "to maintain existing levels of service", and (3) "to accommodate predicted enrolment increases at the undergraduate level". Council has recalculated its 1978–79 funding level exercise using factors that more closely reflect the situation of the universities at the beginning of the funding year concerned.

The major changes introduced into Council's retrospective analysis were an allowance for the unexpected drop in enrolment levels experienced by the system in 1977–78, and the expectation, shared by the Council of Ontario Universities (COU), that there will be a further decline in 1978–79. Council appreciates the work done by COU over the past year in developing a non-salary Ontario university price index which was also employed in the review exercise.

Council's retrospective analysis yields a gap between the recalculated cost of its basic funding objectives and Government's targeted grant expenditures which ranges between approximately $7.5 million and $10 million. To Council this represents considerable underfunding of the university system. Conclusions about how the universities will respond to the 1978–79 level of support would be premature. However, preliminary indications drawn from Council's current hearings with the university system suggest that this shortfall has occasioned stress in areas of non-salary expenditures, particularly with respect to equipment and library purchases. In addition, it is evident that most salary increases in 1978–79 generally will not match inflationary increases. Moreover, it is likely that there will be reductions in faculty and staff complements.

Funding Objectives, 1979–80

In the setting in which Council makes its recommendations for 1979–80, one can no longer expect that the existing university system can be fully sustained in the face of price increases, enrolment declines and the current climate of budgetary restraint. Changing circumstances lead Council to espouse somewhat different funding objectives for 1979–80. These are: (1) to offset inflationary trends, (2) to maintain levels of service commensurate with changes in enrolment, and (3) to adjust for predicted enrolment change.

For 1979–80, Council's traditional first objective of offsetting inflationary trends takes on a new meaning, namely that responses to inflationary pressure must be in keeping with current circumstances that require the exercise of moderation in both the private and public sectors of society. Council's second and third objectives have been modified to recognize the unpredicted enrolment decline experienced by the system in 1977–78 and the expectation that this marks the first year of a new enrolment trend.

Costing Council's Basic Funding Objectives for 1979–80

The method for costing Council's basic funding objectives for 1979–80 again closely parallels those undertaken for 1977–78 and 1978–79. There are changes in

some of the percentages applied to the figures used in the base and in some of the elements used to calculate that base. Each change is explained in the following description of Council's exercise, also displayed in Table I. This Table incorporates the threefold division of university system outlays consistently used by Council in its funding advice, namely, salaries, fringe benefits, and non-salary expenditures.

Column 1: The 1978–79 Base – Council begins its exercise by establishing a base which represents estimated university system expenditures in 1978–79. For purposes of its funding level advice Council continues to assume for 1978–79 that university system expenditures in that year will equal Council's estimate of system revenue. By excluding from the base the 1978–79 funding shortfall identified above, Council simply recognizes the fiscal reality with which the university system must contend as a result of Government's budgetary policy for 1978–79. Council's stance on this issue should not be interpreted as implying that Government support for the university system in 1978–79 is adequate. Indeed Council believes that the level of Government grants in the current year is causing genuine difficulties.

Council's estimate of total university system operating revenues and (for purposes of the calculations at hand) expenditures is $936.1 million. In arriving at this estimate, Council has reviewed system revenues in 1977–78 and institutional revenue estimates for 1978–79. (For further details see Appendix I.) As in Advisory Memoranda 76–III and 77–III, the total of $936.1 million is distributed among the expenditure categories according to the percentage composition of expenditures contained in 1978–79 institutional budgets.

The institutions whose expenditures are included in the base are the fifteen provincially-assisted universities, the Laurentian affiliates, the church-related colleges, Ryerson Polytechnical Institute, the Ontario Institute for Studies in Education and the Ontario College of Art.

Column 2: Inflationary Trend Costs – In past advice Council has utilized the targets of the anti-inflation program to arrive at factors for calculating the cost of offsetting inflationary trends in salaries and fringe benefits.

Table I

The Cost of the Basic Funding Objectives
($ millions)

	1	2	3	4	5	6	7
	1978–79 Base	Inflationary Trend Cost	Service Level Cost	Efficiency/ Rationalization Factor	Predicted Enrolment Change	Stabilization Factor	Cost of Basic Objectives
Expenditures							
Salaries	670.6	40.2	14.2	– 5.1	– 21.8	10.8	709.1
Fringe Benefits	78.2	4.7	1.7	– 0.6	– 2.5	1.3	82.8
Non-Salary	187.3	13.9	5.0	– 1.4	– 6.1	3.1	201.8
TOTAL	936.1	58.8	20.9	– 7.1	– 30.2	15.2	993.7

Includes the provincially-assisted universities and affiliates, church-related Colleges, Ryerson, OISE and OCA

Council's approach to costing its first objective for 1979–80 must be altered for two reasons. First, because fiscal year 1979–80 falls into the post-control period it is no longer possible to use the targets of the anti-inflation program. Second, Council has redefined its first objective to take into account the need for all sectors of society to exercise moderation in the face of inflationary pressures.

In its search for a factor to represent appropriate cost increases related to inflation in salaries and fringe benefits for 1979–80, Council was greatly aided by COU. The following extract is taken from COU's 1978 brief, *The Price of Restraint:*

> "Projections for inflation and increases in average salary levels for 1979–80 are difficult to develop and are inherently unreliable. To a large extent, the economic climate of the first few years of the next decade will be determined by the successes and failures of the immediate post-control period. In the absence of reliable indicators, we are assuming what we believe to be a conservative figure of 6% per year as the estimated level of inflationary increase on salaries in the Ontario university sector."

In the same document COU concluded from its own survey of fringe benefit costs that, although the rate of increases has been running ahead of salary cost increases, "there is no pattern at all in the reasons for increases in the cost of benefits. We are therefore predicting that benefit costs will increase at the same rate as total salary and wage expenditures for 1979–80."

Council agrees entirely with COU about the unreliability that would attach to any inflation forecasts for 1979–80 that could be developed now. Council applauds COU's responsible stance in choosing its 6% factor and, indeed, adopts the same figure for use in the current funding level exercise to represent an offset for inflation in salaries and fringe benefits in 1979–80.

With respect to allowances for inflation in non-salary expenditures, Council has been aware that inflation in this area has exceeded the CPI growth rate for the past several years. In 1977–78 the Committee of Finance Officers – Universities of Ontario (COFO-UO), under the auspices of COU, undertook to develop an Ontario university price index for non-salary items (OUNSPI). The preliminary results of the COFO-UO survey indicate that from 1971–72 through 1977–78 the annual percentage change in OUNSPI averaged 23.2% higher than the annual percentage change in the Consumer Price Index.

With respect to offsetting inflationary trends in the non-salary area for 1979–80 Council has chosen to use a factor of 7.4% as recommended by COU in line with its findings concerning university non-salary cost increases. The 7.4% is derived by increasing Council's inflationary factor of 6% for 1979–80 by 23.2%. Council believes that this estimate may prove to be quite conservative, particularly given the necessarily high proportion of imported equipment and library purchases and the decline in the value of the Canadian dollar.

Column 3: Service Level Costs – In column 3 Council continues to apply to salaries and fringe benefits a factor of 2% to allow for the net cost of progression through the ranks or towards the job rate and, for furniture and equipment replacement, a 2.5% factor for the non-salary area. The rationale on which these factors are based remains unchanged from that first described in Advisory Memorandum 76–III.

Column 4: Efficiency/Rationalization Factor – In past years Council used a negative "efficiency factor" when costing its basic funding objectives to reflect the expectation of productivity gains which would lie within the reach of the system were it in steady state. For 1976–77 a factor of –1.5% was chosen, and in each

of the two succeeding years –1.0% was used. Although the efficiency factor continues to receive criticism from the university system, COU's 1978 brief to Council contains a rationale for calculation of this element of the funding exercise which yields for 1979–80 a factor of –0.4%.

Council believes that the accumulated effects of the efficiency discounts have reduced the system's capacity to make further productivity improvements. Also, the productivity improvements that might be expected from a system which is in steady-state, or growing, become much more difficult when the system enters a period of enrolment decline.

The current environment accordingly leads Council to moderate its expectations of productivity gains. However, the same environment stimulates new expectations of rationalization. Maintenance of quality scholarship may well hinge on rationalization of institutional and system practices that will involve clear departures from tradition. Council has been discussing such departures with the institutions since it issued its call for 1978 briefs in October, 1977, and expects to publish some views on these subjects before the end of the current year.

Council is anxious not to act precipitously in this regard, but feels it imperative to express some judgement of expected rationalization as well as efficiency gains for 1979–80 in quantitative terms. With these considerations in mind, a factor of -0.7% has been applied in column 4.

Column 5: Predicted Enrolment Change – A complication in Council's costing exercise is the enrolment projection for 1979–80, particularly in that this forecast must be made before universities begin enrolling students in the base year, 1978–79.

Data for 1977–78 indicate an undergraduate enrolment decline of approximately 2.7%, with at least half of the decline occurring in the freshman year. Currently available data on numbers of applications and applicants for first year entry in the fall of 1978 are significantly below last year's level suggesting that 1978–79 overall undergraduate enrolment will again be below the preceding year, and Council estimates this decline to be in the neighbourhood of 3%. In making its 1979–80 undergraduate enrolment forecast Council has reviewed the projections of Year 5 (grade 13) enrolments, the flow of freshmen through succeeding years of study and recent experience in part-time enrolment levels. Taking these factors into account Council predicts that total undergraduate enrolment will decline by 3.0% in 1979–80 as compared with 1978–79.

During the past two years Council's funding level advice has omitted reference to changes in the level of graduate enrolment for two reasons: (1) the previous funding objective was to accommodate enrolment increases only at the undergraduate level, and, (2) the graduate funding freeze was in place during 1977–78 and 1978–79. Because 1978–79 marks the final year of the period of formula suspension with respect to graduate work, Council now must also predict the graduate enrolment change that will occur in 1979–80 as compared with 1978–79. In arriving at its estimate of 1979–80 graduate enrolment change Council's best estimate is that graduate enrolment will decline at the same rate as undergraduate enrolment in 1979–80.

A factor of –3% is, therefore, applied in column 5.

Column 6: Stabilization Factor – In each of the past three years Council has applied a negative "excess capacity factor" which amounted to 50% of forecast enrolment growth for 1976–77, 1977–78, and 1978–79. The application of this negative factor rested primarily on the assumption that the capacity of the university system as a whole permitted the accommodation of additional enrolment at a cost lower than average cost.

When Council advised Government on funding for the system in 1978–79 (Ad-

visory Memorandum 77–III) it introduced the concept that discounting enrolment change during a period of growth carried with it an implicit obligation to stabilize funding with respect to enrolment change in a period of decline. On March 23, 1977, in a letter to the Chairman of Council the Minister responded to this principle in the following words: "I note particularly in the introduction to your Third Annual Report your request of this government, in accepting the marginal cost of growth, to also accept a similar marginal cost approach to grant reduction when enrolment declines. I can assure you that I support this concept and will endorse its acceptance by the government."

Accordingly, Council applies a 50% stabilization factor in column 6 in response to the 1979–80 projected enrolment decline of 3%.

Column 7: Cost of the Basic Objectives – The final column of Table I simply adds to column 1 the sum of the positive and negative figures that appear in columns 2 through 6. The resulting grand total of $993.7 million is Council's best estimate of the cost of its basic objectives in funding the provincially-assisted universities, church-related and affiliated colleges, Ryerson, the Ontario Institute for Studies in Education and the Ontario College of Art in 1979–80. The $993.7 million represents a 6.15% increase over Council's estimate of total operating revenues in 1978–79, and Council believes that an increase in university operating expenditures of this magnitude would strike an appropriate balance between restraint and system maintenance in 1979–80.

The Potential Cost to Government of Council's Basic Funding Objectives

The potential cost to Government of Council's basic funding objectives is shown in Table II. It is obtained by deducting from the total cost of $993.7 million Council's estimates of fee revenues at 1978–79 rates and other revenues. The fee deduction of $137.6 million is based on estimated 1978–79 fees of $139.8 million reduced for Council's predicted percentage decrease in undergraduate and graduate enrolment in 1979–80. Also included in the $137.6 million is an additional estimated $2 million accruing from the higher formula fee for visa students, which increases the three-year visa student differential formula fee revenue to a total of $6 million.

The figure of $60.8 million for other revenues given in Table II represents a $3 million increase over Council's estimate of $57.8 million which was used in the base for 1978–79. Council has decided to increase this figure to take into account the recent evidence of moderate growth in other revenues.

Table II

Potential Cost to Government of Council's Basic Funding Objectives for 1979–80: Provincially-Assisted Universities, Ryerson, OISE and OCA – ($ millions)

Cost of Basic Funding Objectives (Table I, Column 7)		993.7
Deduct: Tuition and Other Fee Revenue	137.6	
Other Revenues	60.8	198.4
Potential Cost to Government of Basic Funding Objectives		$795.3
(Percentage increase in grants)		(7.7%)

Table II indicates that if Council's basic funding objectives are to be met in 1979–80, the potential cost to Government is $795.3 million. This involves a 7.7% increase over the 1978–79 total of $738.5 million that was made available by the Government in formula and non-formula grants to the institutions covered by Council's costing exercise. This would be the cost to Government were existing tuition fee levels to remain unchanged in 1979–80.

Additional Funding Needs

Recommendations on additional funding needs relate to those special institutions and policy matters which are excluded from Council's basic costing exercise. In Council's advice for 1978–79, there were two areas of special funding: an initial instalment of funding related to the then incomplete study of the incremental costs of existing bilingual activities, and provision of a grant-in-aid to the Bar Admission Course of the Law Society of Upper Canada.

Government responded positively to Council's recommendation and, with particular reference to the incremental costs of existing bilingualism programs, granted an additional $1 million which has been included in the 1978–79 base used in the foregoing basic costing exercise. The study of incremental bilingualism costs was completed in the Fall of 1977.

Council estimates that the funding need generated by (1) the final instalment required to align grants with the incremental cost of bilingualism (as adjusted with respect to the factors used in the 1979–80 funding level exercise) combined with (2) the provision of a grant-in-aid for the Bar Admission Course, will amount to $1.5 million in 1979–80.

Funding Recommendations for 1979–80

The basic costing exercise undertaken in this Memorandum indicates a potential cost to Government of $795.3 million in 1979–80. This represents a 7.7% increase over the 1978–79 total of $738.5 million made available by Government in the form of formula, graduate, supplementary, bilingualism and Northern Ontario grants to the fifteen provincially-assisted universities, affiliated and church-related colleges, Ryerson, the Ontario Institute for Studies in Education, and the Ontario College of Art.

Council notes again that the above recommendations imply a 1979–80 revenue increase of 6.15% for the institutions.

Accordingly, Council *recommends to the Minister and Lieutenant Governor in Council:*

OCUA 78–1
FUNDING LEVEL FOR 1979–80 TO MEET THE COST OF COUNCIL'S BASIC OBJECTIVES IN FUNDING THE OPERATION OF PROVINCIALLY-ASSISTED UNIVERSITIES, RYERSON, THE ONTARIO INSTITUTE FOR STUDIES IN EDUCATION AND THE ONTARIO COLLEGE OF ART

THAT the 1978–79 Government expenditures of $738.5 million on behalf of the provincially-assisted universities, church-related colleges and affiliates, Ryerson, the Ontario Institute for Studies in Education and the Ontario College of Art be increased to provide, through grant increases, or through grant and formula fee increases compensated by student assistance, a 1979–80 funding level of $795.3 million.

With respect to the funding levels indicated in this Memorandum, Council's position remains that the relevant mix of grants, fees and student assistance is a matter of

Government responsibility. Nonetheless, Council wishes to caution the Government against instituting undifferentiated across-the-board formula fee increases in 1979–80. If fees are to be increased Council urges that the increases be differentially applied by program (for example with small increases for Arts and Science and larger ones for professional and higher cost programs).

As in previous years, the grant-in-aid to the Bar Admission Course and the upward adjustment to the bilingualism grant are excluded from Council's basic funding exercise. Council *recommends to the Minister and the Lieutenant Governor in Council:*

OCUA 78–2
ADDITIONAL FUNDING FOR 1979–80 FOR EXISTING BILINGUALISM PROGRAMS AND THE BAR ADMISSION COURSE

THAT $1.5 million be provided in 1979–80 to cover the second and final instalment in recognition of the documented incremental costs of existing bilingualism programs, and a grant-in-aid for the Bar Admission Course.

Capital Assistance

Again for 1978–79, funding available for capital assistance has been severely limited. The $8.0 million originally announced by the Minister for new capital projects was subsequently reduced to $4.0 million in order to meet government's fiscal requirements. Even with an additional $0.1 million that is provided specifically for energy management projects, total capital funding including any new construction projects falls well short of Council's recommendation that $14.5 million should be made available for major renovation, alteration and replacement projects in 1978–79. The severity of this underfunding as well as the shortfall in previous years can be readily seen when this $4.1 million capital funding is compared with the university requests of $54.6 million for specific capital needs in 1978–79.

In its funding advice for 1978–79, Council stated its conviction that funds needed for major renovations, alterations and replacements are related to the value of the space inventory. Council remains convinced that a minimum level of 1% of the value of the space inventory is necessary if the Government's heavy investment in university capital facilities is to be maintained. This minimum level has not been provided in recent years. For 1979–80, Council again selects 1% of the value of the space inventory at $85 per net assignable square foot as the appropriate level for such projects. It should be noted that this amount makes no provision for new construction projects that add to institutional space.

Accordingly, Council *recommends to the Minister and to the Lieutenant Governor in Council:*

OCUA 78–3
LEVEL OF SUPPORT FOR MAJOR RENOVATIONS, ALTERATIONS, AND REPLACEMENT PROJECTS IN 1979–80

THAT funds for capital assistance in 1979–80 be $17.9 million for major projects plus any amount necessitated by carryovers and new construction.

W. C. Winegard
Chairman

May 25, 1978

Appendix to Advisory Memorandum 78-I

The starting point for Council's funding advice is the determination of a 1978–79 base. For purposes of the exercise Council assumes that system expenditures in 1978–79 will equal total revenues, and estimates that system operating revenues will total $936.1 million. Accordingly, this figure is entered in Column 1 of Table I to represent total operating expenditures in 1978–79.

Table A–I provides a breakdown of 1978–79 revenues by type of revenue.

Formula and Non-Formula Grants

The figure of $738.5 million for formula and non-formula grants is the sum of: $735.9 million (the 1978–79 expenditure target of $736.4 million announced by the Minister on October 12, 1977 less $.5 million for the Bar Admission Course); $1 million subsequently allocated as a first instalment of additional funding to recognize the differential costs of existing bilingual programs; and, $1.6 million with respect to Nursing at Ryerson which will in future be funded through the Operating Grants Formula and no longer through Ministry line item grants.

Other Revenues

The other revenue figure of $57.8 million is composed of $15.8 million in Municipal tax grants ($8.3 million) and Ministry line item grants ($7.5 million), plus an estimated $42.0 million in other sources of operating revenue. The latter figure assumes that actual other revenues in 1976–77 and anticipated other revenues in 1977–78 will be constant for 1978–79.

Tuition and Other Fees

The figure of $139.8 million in Table A–I is derived from a 1977–78 base of $141.5 million adjusted downward for an estimated 3% decline in undergraduate enrolment and increased to reflect $2 million in additional revenue related to differential fees for visa students in 1978–79.

Table A–I

University System Revenues
1978–79 Estimate
($ millions)

Formula and Non-Formula Grants*	738.5
Tuition and other Fees	139.8
Other Revenues	57.8
TOTAL	936.1

* Excluding Ministry line item grants and Bar Admission Course grant-in-aid.

78-II The Ontario Graduate Scholarship Program, 1979-80

In this Memorandum, Council advises on the scholarship eligibility, number of awards, and the level of stipend in the Ontario Graduate Scholarship Program for 1979–80.

Scholarship Eligibility

For the last three years, Council has recommended that the Ontario Graduate Scholarship Program be open equally to Canadian citizens and to persons who hold landed immigrant status as of the official annual closing date for scholarship applications. This recommendation has not been accepted in the past by the Government. Present regulations require that a landed immigrant must have held that status for at least two years as of the application closing date to be eligible to compete with Canadian citizens. These rules, therefore, remain more restrictive than those of the federal scholarship programs of the National Research Council, Canada Council, and the Medical Research Council.

Council reiterates its view put forward in previous Advisory Memoranda on graduate scholarships, namely that there should be equitable treatment of landed immigrants and citizens. This is a position supported by both the Ontario Graduate Scholarship Selection Board and the Ontario Council on Graduate Studies. In making its recommendation, Council is not only attempting to continue to seek equity between landed immigrants and citizens, but is again registering its concern that highly qualified landed immigrants are potentially eliminated by the present regulations, thereby reducing the quality of the competition.

Council, in the light of recent tightening of immigration requirements, urges the Government to reconsider the present regulations concerning the scholarship eligibility of landed immigrants, and accordingly, *recommends to the Minister:*

OCUA 78–4 (77–1) (76–2) (75–3)
ONTARIO GRADUATE SCHOLARSHIP PROGRAM ELIGIBILITY

THAT, the Ontario Graduate Scholarships be open equally to Canadian citizens and to persons who hold landed immigrant status as of the official annual closing date for applications, it being understood that this provision applies similarly to institutional nominees.

The special category of 50 awards, established by Government for visa students and recently arrived landed immigrants, provides a means by which a number of academically strong visa students can enrol in Ontario graduate schools. Council fully supports this category of awards but, consistent with the above recommendation on landed immigrant eligibility, feels that this category should be limited to visa students only.

Accordingly, Council *recommends to the Minister:*

OCUA 78–5 (77–2)
FOREIGN VISA STUDENT ELIGIBILITY

THAT, a special category of Ontario Graduate Scholarships be established for persons, who at the time of application are student visa holders, with the precise number of scholarships to be determined in a manner consistent with the considerations outlined in this Memorandum.

Number of Awards

For 1978–79, a separate category of 45 institutional awards (9 per university) was reserved for those universities having no doctoral programs. Despite a recommenda-

tion by the Ontario Graduate Scholarship Selection Board to the contrary, the Ontario Council on Graduate Studies urges the continuation of the institutional awards on the grounds that these awards serve a particular purpose in supporting graduate activities at the smaller institutions. Council concurs with this view and therefore *recommends to the Minister:*

OCUA 78–6
INSTITUTIONAL AWARDS TO UNIVERSITIES WITHOUT DOCTORAL PROGRAMS

THAT, up to 45 scholarships (9 per university) be institutional awards in 1979–80 for the universities *having no doctoral programs.*

In 1977–78 and 1978–79 Government provided 50 awards for visa students and recently arrived landed immigrants. Despite this, the Ontario Graduate Scholarship Selection Board has expressed concern that many very high quality students could not be supported because of the limited number of scholarships in this category. Although Council retains the same number of awards for 1979–80, its recommendations on scholarship eligibility would limit the awards in this category exclusively to persons on student visas. If the Government does not accept Council's eligibility recommendations, thereby having both recently landed immigrants and visa students competing for this category of award, Council considers it appropriate to increase the total number of awards in the category to 60. Accordingly, Council *recommends to the Minister:*

OCUA 78–7
ONTARIO GRADUATE SCHOLARSHIPS TO PERSONS ON STUDENT VISAS

THAT, up to 50 scholarships be reserved for persons who, at the time of application, are student visa holders, or if Recommendation 78–4 is once again not acceptable to Government, that this number be increased to 60.

The total number of graduate scholarships awarded was increased from 945 to to 1200 in 1978–79. In announcing this increase, the Minister cited the new Ontario Student Assistance Program regulations which make most graduate students ineligible to receive grant assistance from the province. He noted also the large number of highly qualified candidates who were not able to be given awards because of the limited number available. Council supports this increase in the number of awards, even though it was at the expense of Council's first priority, namely to increase the value of the stipend to $5,000. For 1979–80, Council, noting the emphasis placed on retaining at least the existing number of awards by COU/OCGS and the OGS Selection Board, believes that 1200 scholarships should again be awarded. Council, therefore, *recommends to the Minister:*

OCUA 78–8
NUMBER OF ONTARIO GRADUATE SCHOLARSHIP AWARDS IN 1979–80

THAT, 1200 Ontario Graduate Scholarship Awards be made available in 1979–80 for:
(a) open competition
(b) institutional awards at Brock, Lakehead, Laurentian, Trent, and Wilfrid Laurier
(c) foreign visa students in the manner outlined in this Memorandum.

Scholarship Stipend

Council has continually argued that the OGS stipend should not remain substantially below the stipend levels of the awards of the federal granting agencies if the quality of the award program is to be maintained. The increase in the OGS stipend to $4,500 in 1978–79 did not match the 6% increase in the federal awards, thereby widening the gap between the values of the stipends even further. Table I outlines the historical trends in these stipend levels.

Table I

Comparative Scholarship Stipends

	OGS $	NRC Stipends (PGS 1 & 2) $	Canada Council Stipends (1st & 2nd Ph.D.) $
1971–72	—	3,800	3,500
1972–73	—	3,800	3,500
1973–74	—	4,050	3,500
1974–75	3,400*	4,050 to Oct. 1 4,500 from Oct. 1	4,000
1975–76	3,400*	5,000	5,000
1976–77	3,750	5,520	5,500
1977–78	4,350	6,000	6,000
1978–79	4,500	6,360	6,360
% increase 1978–79 over 1974–75	32.4	57.0	59.0

* Adjusted to take account of integration of fees into stipend in 1976–77.

In determining a value for 1979–80, Council has chosen to follow as a minimum the recommendation of COU/OCGS that $4,800 or $1,600 per term is necessary "in view of the rising costs of living and education and of the continuing need to support students of high quality in the graduate programs of the Province." To provide 1200 awards at a stipend of $4,800 would require a 6.67% increase in funding for the OGS program. Council urges that if funds beyond a 6.67% increase are available they should be directed to a further augmentation of the value of the stipend rather than to additional numbers of awards. Accordingly, Council *recommends to the Minister:*

OCUA 78–9
ONTARIO GRADUATE SCHOLARSHIP STIPENDS, 1979–80

THAT, the Ontario Graduate Scholarships carry a minimum stipend of $4,800 or $1,600 per term in 1979–80.

One additional matter of policy raised by the OGS Selection Board relates to the eligibility for an Ontario Graduate Scholarship of a student who has already held a federal award such as a Canada Council or National Research Council Scholarship for four years. Under the present system for screening applicants, no attempt is made to ascertain the number of students falling into this category.

Students who have been awarded an Ontario Graduate Scholarship for four years are ineligible for further OGS support. It is, therefore, consistent that those who have received four years of federal support such as National Research Council or Canada Council Scholarships should similarly be denied eligibility for subsequent OGS awards. Council, therefore, endorses the COU/OCGS recommendation for a total exclusion from eligibility for an OGS award for such students.

W. C. Winegard
Chairman

June 23, 1978

78-III Graduate Program Planning and Funding

In February, 1978, Council submitted Advisory Memorandum 77–VII on the subjects of graduate program planning and funding. That Memorandum focused primarily on objectives for graduate planning in the first quinquennium, that is, the fixed 5-year period 1979–80 to 1983–84, and funding with respect to existing and new graduate programs after the period of formula suspension. During the first quinquennium, Council will continue to examine with interest the extent to which the universities, individually and collectively, are moving toward the attainment of the quinquennial objectives and will look to the annual Council of Ontario Universities/Ontario Council on Graduate Studies (COU/OCGS) monitoring report on graduate studies and the detailed program data submitted by the universities to provide the all-important overview of the graduate enterprise in Ontario.

In this Memorandum, Council concentrates its attention mainly on the funding of graduate programs under two headings: Allocative Mechanisms for the First Quinquennium, and, Graduate Programs Hitherto Ineligible for Funding.

There is one other issue, however, which concerns graduate planning at the system level and which requires Council's prompt attention. In 1972, the Ministry of Colleges and Universities approved a policy, formulated by the Committee on University Affairs/Council of Ontario Universities Joint Subcommittee on Goals and Policies for Graduate Development, that emerging institutions not be considered eligible for funding for doctoral programs. The question has recently been raised as to whether the new funding criteria for the first quinquennium, set out in Advisory Memorandum 77–VII, supersede the previous policy. Council wishes to make clear that it was not its intention, through Advisory Memorandum 77–VII and the proposals therein, to encourage the mounting of doctoral programs at institutions not currently involved in doctoral work. There are five universities in Ontario which do not offer doctoral programs: Brock, Lakehead, Laurentian, Trent, and Wilfrid Laurier. In view of the quinquennial objectives, Council, at this time, cannot foresee a situation in which it would consider recommending funding approval for doctoral programs at these institutions, at least for the duration of the first quinquennium. Council notes that special provisions have been made under the Ontario Graduate Scholarship Program for these five universities through which up to nine scholarships are reserved for each institution without doctoral programs. This measure was developed, in part, as a support for graduate activity at these universities.

Allocative Mechanisms for the First Quinquennium

In Advisory Memorandum 77–VII, Council indicated the importance of the allocative mechanism for graduate studies and stated several requirements which it felt that any such mechanism must fulfill. At that time Council had already studied several alternatives and had concluded that for master's and graduate diploma programs, an allocative formula like the one currently employed for the funding of undergraduate programs might best serve the objectives and goals of the university community for the first quinquennium. For doctoral programs, Council felt that an even greater measure of stability might be in order, and therefore suggested that a discount/stability factor of two thirds be incorporated into the doctoral program allocative formula. That is, formula grants for doctoral programs would be distributed to each institution in relation to the number of BIU's in the fixed doctoral funding base adjusted by one third of the difference between the number of doctoral BIU's in a three-year moving average and the doctoral funding base.

In that Memorandum, Council offered no suggestions as to the funding base to be used for either master's or doctoral funding. In the months that have followed, Council has received the suggestions of the university community and has considered several possible funding bases, paying particular attention to their im-

plications for funding stability and equity. Council has concluded that the appropriate funding base for each institution should be the average number of eligible graduate BIU's reported by each institution in the three-year period 1974–75, 1975–76, 1976–77. This is the same three-year period that is used for the calculation of the undergraduate funding base.

Hence, for master's and graduate diploma programs, the funding base for each institution would be the average number of eligible master's and graduate diploma BIU's reported by each institution in the three-year period 1974–75, 1975–76 and 1976–77. Accordingly, Council *recommends to the Minister:*

OCUA 78–10
ESTABLISHMENT OF AN INSTITUTIONAL MASTER'S AND GRADUATE DIPLOMA FORMULA FUNDING BASE

THAT, beginning in 1979–80, the average number of eligible master's and graduate diploma BIU's reported by each institution during the years 1974–75, 1975–76 and 1976–77, be deemed the Master's and Graduate Diploma Formula Funding Base for each institution.

Council believes that the formula funding base for doctoral programs should be calculated in the same manner. That is, the doctoral formula funding base for each institution would be the average number of eligible doctoral BIU's reported by each institution during the years 1974–75, 1975–76 and 1976–77. Council accordingly *recommends to the Minister:*

OCUA 78–11
ESTABLISHMENT OF AN INSTITUTIONAL DOCTORAL FORMULA FUNDING BASE

THAT, beginning in 1979–80, the average number of eligible doctoral BIU's reported by each institution during the years 1974–75, 1975–76 and 1976–77, be deemed the Doctoral Formula Funding Base for each institution.

After examining several other options, Council has concluded that an allocative formula identical to the one currently in use for the distribution of funds with respect to undergraduate programs, incorporating the above-mentioned base, should be employed, beginning in 1979–80, for master's and graduate diploma programs. Council believes that this approach will best serve the principles of funding stability, predictability, equity and accountability. Council accordingly *recommends to the Minister:*

OCUA 78–12
DISTRIBUTION MECHANISM FOR MASTER'S AND GRADUATE DIPLOMA PROGRAM FORMULA GRANTS DURING THE FIRST QUINQUENNIUM

THAT, beginning in 1979–80, formula grants for master's and graduate diploma programs be distributed to each institution in relation to the number of BIU's in the Master's and Graduate Diploma Formula Funding Base adjusted by 50 per cent of the difference between the average number of eligible master's and graduate diploma BIU's reported by each institution in the three years preceding the granting year and the Master's and Graduate Diploma Formula Funding Base.

As Council stated in Advisory Memorandum 77–VII ". . . doctoral programs may be considered to have been generating the greatest support for research and scholarships. . . ." Because of Council's belief that these aspects of university activity must be protected in the event of sudden fluctuations in enrolment, Council proposes that formula grants for doctoral programs be distributed to each institution in relation to the number of BIU's in the Doctoral Formula Funding Base adjusted by one third of the difference between the number of doctoral BIU's in a three-year moving average and the Doctoral Formula Funding Base. Council accordingly *recommends to the Minister:*

OCUA 78–13
DISTRIBUTION MECHANISM FOR DOCTORAL PROGRAM FORMULA GRANTS DURING THE FIRST QUINQUENNIUM

THAT, beginning in 1979–80, formula grants for doctoral programs be distributed to each institution in relation to the number of BIU's in the Doctoral Formula Funding Base adjusted by one third of the difference between the average number of eligible doctoral BIU's reported by each institution in the three years preceding the granting year and the Doctoral Formula Funding Base.

Graduate Programs Hitherto Ineligible for Funding

In Advisory Memorandum 77–VII, Council set out explicit criteria, subsequently approved by the Minister on March 21, 1978, which new graduate programs will have to satisfy before being considered for funding approval. At that time Council also took cognizance of the fact that several unfunded graduate programs were already in existence and that there were others which would be implemented before or during the first quinquennium.

In its 1978 brief, *Graduate Planning in Ontario Universities*, the Ontario Council on Graduate Studies provided a list of 68 graduate programs (24 doctoral programs and 44 master's programs) which are not yet being funded. Many of these programs have already been implemented and have been enrolling students for several years, while others are still in various planning stages. In this Memorandum, Council is recommending only 26 of these programs (6 doctoral and 20 master's programs) for funding approval. There are two additional doctoral programs on which Council is withholding judgment at this time. Therefore, of the 68 currently unfunded graduate programs, there remain 40 programs (16 doctoral and 24 master's programs) which will be required to meet the new funding criteria outlined in Advisory Memorandum 77–VII before Council will consider recommending them for funding approval.

A number of the programs listed in the COU/OCGS brief had completed the former requirements for funding approval before the period of formula suspension for graduate work (which has come to be known as the "graduate freeze"). The date on which the freeze began is taken here to be May 1, 1976, the first day of the university fiscal year in which the freeze became effective. Because embargoes ceased to be meaningful during the freeze, Council has not taken into account the former requirement that a program be in an unembargoed discipline. Council believes that any program which had satisfied all of the other former requirements should now be recommended for funding approval, provided that it received a favourable appraisal during the period March 1, 1973 to March 1, 1978.

There are three graduate programs, History (PhD) at Waterloo, Urban and Regional Planning (PhD) at Toronto and Kinesiology (MSc) at Waterloo, which satisfy all of the former requirements except that they do not appear to have completed a

re-appraisal during the period March 1, 1973 to March 1, 1978. Council wishes to avoid any undue retroactivity and in view of this consideration deems that these programs should be eligible for funding. There are three other graduate programs, Behavioural Science (PhD) and (MSc) at McMaster and Business Administration (MBA) at Wilfrid Laurier, for which all requirements except the receipt of COU planning approval were completed before the freeze. In view of the fact that all other requirements were completed before May 1, 1976, and since COU approval was obtained after these programs had been favourably appraised, Council deems that these programs should be approved for funding. Accordingly, Council *recommends to the Minister:*

OCUA 78–14
FUNDING OF PARTICULAR GRADUATE PROGRAMS

THAT, the following programs be deemed eligible for formula support beginning in 1979–80, and that eligible enrolment therein for each year be included, where applicable, in the appropriate moving average and funding base for each institution:

Program	*University*
Behavioural Science (PhD)	McMaster
Biophysics (PhD)	Guelph
History (PhD)	Waterloo
Kinesiology (PhD)	Waterloo
Religious Studies (PhD)	Toronto
Urban and Regional Planning (PhD)	Toronto
Adapted Human Biodynamics (MSc)	McMaster
Behavioural Science (MSc)	McMaster
Business Administration (MBA)	Wilfrid Laurier
Chemical Education (MA(T))	Western
Dance (MFA)	York
Education (MEd)	Brock
Education Studies (MEd)	Western
Film (MFA)	York
Forestry (MSc)	Lakehead
French (MA(T))	Western
Human Kinetics (MSc)	Guelph
Industrial Relations (MIR)	Toronto
Journalism (MA)	Western
Kinesiology (MSc)	Waterloo
Physical Education (MA/Sc)	Lakehead
Physical Education (MA/Sc)	Queen's
Physical Education (MA/Sc)	York
Recreation Studies (MA)	Waterloo
Religion (MA)	Carleton
Religious Studies (MA)	Toronto

At this time, Council is withholding judgment on Business Administration (PhD) at Queen's and Administrative Studies (PhD) at York. There are three unfunded doctoral programs in Business listed in the COU/OCGS brief, the two above-mentioned programs and the planned program at McMaster. These programs are in addition to the three doctoral programs in Business already being funded at

Toronto, Western and Waterloo. This raises the issue of how many doctoral programs in Business are really needed in Ontario and where they should be. Council wishes to hear from COU regarding the plans for doctoral studies in Business in Ontario and how these plans fit in with the objectives for the first quinquennium set out by Council in Advisory Memorandum 77–VII. It is Council's intention to postpone any decision regarding recommendations for funding approval for these programs until it has received a response from COU.

Any other currently unfunded or planned graduate programs not named above will be required to meet the new funding criteria for the first quinquennium before they will be considered by Council for recommendation for funding approval.

W. C. Winegard
Chairman

September 22, 1978

78-IV Program Funding Approval Procedures for Ryerson Polytechnical Institute

On October 14, 1975, the Minister of Colleges and Universities formally referred to Council the task of advising on the "continued funding of unauthorized degree programs at Ryerson Polytechnical Institute." Following a number of meetings with Ryerson and the Ministry of Colleges and Universities, Council, on December 10, 1976, submitted Advisory Memorandum 76–V recommending that interim funding be extended during 1977–78 and 1978–79 only to those degree, diploma and certificate programs that were funded in 1976–77. Council undertook, by the end of this two-year period, to produce "firm advice on the mechanisms through which Ryerson programs can be fully authorized for funding purposes." In this Memorandum, Council makes recommendations on both the mechanism for program review and the funding status of existing and future programs.

The Framework

In a fundamental sense it is the level and character of Ryerson's programs that define the institution. The programs have traditionally been career oriented, practical in their emphasis and established in response to a defined need. These program characteristics have given Ryerson a distinctive place within the post-secondary system, it being neither a College of Applied Arts and Technology nor a traditional university. In Council's view, the process of program approval should help maintain the character of Ryerson's programs and reinforce the polytechnic role of the institution.

With this in mind, Council advanced in Advisory Memorandum 76–V three alternative mechanisms for program approval and review. These were:

- Council itself, or its appointed agents, would undertake to review and approve each new program or program change proposed by Ryerson;
- Council itself, or its appointed agents, would review and approve a detailed plan for Ryerson every five years;
- internal changes in the governance of Ryerson, including possible amendments to its Act, would be made so as to ensure that community, business and labour representatives would have direct input into, and a major say in, the planning and approval of each and every program.

Although these were the options specifically outlined, Council encouraged Ryerson to consider other possibilities as well in formulating a proposed structure.

On September 22, 1978, Ryerson representatives met with Council in formal session. At that meeting, Ryerson advanced an internal approval mechanism that involved a "semi-autonomous, interactive decision-making process" in which program planning, review and revision would be carried out in consultation with an external advisory committee for each program. The members of these committees would "provide knowledgeable input on program purpose, its societal need, and its appropriate academic excellence." In addition, for existing programs, enrolled students, graduates and employers would be consulted and where appropriate, independent appraisal, approval or accreditation would be sought. The Academic Council of Ryerson, being fully apprised of this advice, would be responsible for authorizing programs subject to their compatibility with "the Institute's aim, goals, general academic policies and academic standards." The Board of Governors would similarly be responsible for authorizing programs approved by Academic Council and recommended by the President. The Board's approval would be based upon an assessment of the financial implications and upon compatibility with the Ryerson Act and the institution's general policies. Apart from this internal process, Ryerson suggested that it would report annually to Council and the Minister.

In reviewing Ryerson's proposal, Council sought to determine whether the basic

requirements of assuring that all programs "will have an appropriate level of academic excellence, a clearly expressed societal need and a defined level of financial viability" were capable of being fulfilled. As a result of its review of the mechanism and the meetings held with representatives of Ryerson, Council has concluded that a mechanism based upon internal review and approval is the appropriate choice for Ryerson.

The Mechanism

Based upon its understanding of the requirements of an acceptable mechanism on one hand, and the administrative structure of Ryerson on the other, Council suggests that the program approval mechanism should consist of the following three elements: academic quality and standards of programs assured primarily by Academic Council as charged under the Ryerson Act, financial viability of programs assured primarily by the Board of Governors in accordance with the Act, and societal need assured primarily by Program Assessment Committees.

Program Assessment Committees The Program Assessment Committees are a new element in the program planning and review process and should be distinguished from the Advisory Committees which have been used by Ryerson for many years. The Advisory Committees have in the past been established for each program by the department chairmen to provide what Ryerson has referred to as "a strong link with the public, private and service sectors." Council appreciates the important role which these committees have played in providing informal advice on the development of programs at Ryerson, and indeed, the Institute may wish to continue with its traditional practice of external consultation.

The Program Assessment Committees are to have an entirely different function. These Committees are to be established and appointed by the President of Ryerson for the specific purpose of preparing formal reports including recommendations that programs be approved or denied, based upon assessment of societal need. The Assessment Committees should submit their reports to the President for transmittal to the Academic Council and the Board of Governors. The by-laws of the Academic Council and the Board of Governors respectively should guarantee that the Academic Council will not make its final recommendation on a program proposal without the prior consideration of the report of the Assessment Committee and that the Board will similarly make its final recommendation only after consideration of the reports of both the Assessment Committee and Academic Council.

In Council's view the effective functioning of the approval mechanism depends very largely upon the ability of the Assessment Committees to provide an independent and objective evaluation. Consequently, these Committees, while looking to Ryerson's faculty and staff for input as necessary, should be composed of at least seven members all of whom are external to Ryerson, including: (a) five or more who are knowledgeable in the program field including management, labour and educators, and (b) two or more who are not involved in the program field.

In carrying out their mandate, the Assessment Committees should consider not only the level of student demand and the employment opportunities for graduates but also other factors such as whether similar programs are already available at other institutions and whether the proposed program is compatible with the role of a polytechnic and consistent with the evolution and character of Ryerson. Council believes that such fundamental considerations are as important as the more conventional questions relating to labour market conditions and student demand, and expects that the full range of issues will be addressed by the Assessment Committees in preparing their analyses of societal need. Council is confident that an assessment of need carried out under such terms of reference will be a proper basis for an authoritative Committee recommendation.

Application of the Mechanism Council is of the view that the assessment of societal need in the manner outlined and the assurance of academic excellence and financial viability by the Academic Council and Board of Governors respectively constitute an acceptable internal mechanism on the basis of which Ryerson programs can be fully authorized for funding purposes. In order to assure Council that the mechanism is performing its intended function, Council proposes that with respect to any program for which funding approval is being sought, it receive a recommendation from Ryerson supported by Academic Council's approval of the academic quality of a program, the Board of Governors' assurance of the financial viability of the program and the Program Assessment Committee's report on and certification of societal need. It is Council's intention that following its receipt of these materials, confirming approval by all three bodies, it will recommend authorization of the proposed programs for funding. Council accordingly *recommends to the Minister:*

OCUA 78–15
MECHANISM FOR DEGREE AND NEW DIPLOMA PROGRAM APPROVAL AT RYERSON POLYTECHNICAL INSTITUTE

THAT, all degree and new diploma programs at Ryerson be considered for funding by the Minister on the recommendation of the Ontario Council on University Affairs, such recommendation to be based upon the approval mechanism outlined in this Memorandum.

To ensure continuing relevance to societal needs, a review of each program offering should be carried out by Ryerson at intervals of no more than seven years.

Council appreciates that the introduction of the program approval mechanism formalizes a consultative process some of the characteristics of which have already existed in an informal sense in the planning and review of programs at Ryerson. While confident of Ryerson's ability and intent to apply these new procedures, Council is of the opinion that a periodic review with Ryerson of the mechanism and its application is desirable.

Funding Approval for Existing Degree Programs

In Advisory Memorandum 76–V, Council recommended that all existing degree programs be granted interim funding for a two-year period, pending the determination of a program approval mechanism. Council is now of the view that in order to qualify for funding, these programs should be subjected to review in accordance with the recommended mechanism. Council proposes that the programs should remain on interim funding for the duration of two years at which time all degree programs that have been approved under the mechanism and recommended by Council to the Minister should be authorized for continued funding. Programs which at the end of two years have not been accepted under the mechanism should be ineligible for further funding. Council accordingly *recommends to the Minister:*

OCUA 78–16
INTERIM ARRANGEMENTS AND PROCEDURES FOR FUNDING OF EXISTING DEGREE PROGRAMS

THAT, the degree programs funded during 1978–79 should continue to be eligible for funding in 1979–80 and 1980–81 and, that at the end of this two-year period only those degree programs which have been approved under the mechanism and recommended by the Ontario Council on University Affairs to the Minister be authorized for continued funding.

In making this recommendation Council recognizes that the degree program in Applied Geography, although previously authorized by the Minister, has not been reviewed under the mechanism suggested in this Memorandum. Council expects that this program will be among those reviewed for funding approval.

Funding Approval for New Degree Programs

Council is aware that Ryerson has sought funding approval for a number of new degree programs namely, Air Transport Engineering, Graphic Arts Management, Nursing, and Environmental Health. In Council's view the determination of funding eligibility for these programs should not await the completion of the review of existing programs. Rather, these and all other new degree programs should henceforth be authorized when they are approved under the mechanism and duly recommended by Council to the Minister. Council accordingly *recommends to the Minister:*

OCUA 78–17
FUNDING APPROVAL FOR NEW DEGREE PROGRAMS

THAT, henceforth any new degree program approved under the mechanism and recommended by the Ontario Council on University Affairs to the Minister be authorized for funding.

Funding Approval for Existing Diploma and Certificate Programs

Although the funding eligibility of some of Ryerson's degree programs was the specific concern in the Ministerial reference of October 14, 1975, Council, without questioning the eligibility of the diploma and certificate programs, recommended that all programs be placed on interim funding pending the establishment of a program approval mechanism. Council, having examined this issue, has found no reason to require that the existing diploma or certificate programs be assessed under the proposed mechanism in order to verify their funding status. Council accordingly *recommends to the Minister:*

OCUA 78–18
FUNDING APPROVAL FOR EXISTING DIPLOMA AND CERTIFICATE PROGRAMS

THAT, the existing diploma and certificate programs that are funded in 1978–79 be authorized for continued funding.

Funding Approval for New Diploma Programs

Although Council is recommending the continued funding of existing diploma programs, it is aware that the future establishment of diploma programs might raise the question of Ministerial approval. Council also recognizes the importance of diploma offerings at Ryerson and considers it important that the academic excellence, societal need and financial viability of these programs be assured. The authorization of new diploma programs should proceed in the same manner as that outlined for new degree programs. Council accordingly *recommends to the Minister:*

OCUA 78–19
FUNDING APPROVAL FOR NEW DIPLOMA PROGRAMS

THAT, henceforth any new diploma program approved under the mechanism and recommended by the Ontario Council on University Affairs to the Minister be authorized for funding.

Funding Approval for New Certificate Programs

The certificate programs offered by Ryerson tend to be significantly different from either diploma or degree programs in their origin, duration and in some ways, their objectives. As programs established to provide comparatively specific education and training to a clearly defined clientele, often over a comparatively short period of time, they are commonly designed to provide skills to people already launched on a career rather than to prepare students for a vocation. These distinctive characteristics, combined with the need to respond quickly to changes in demand, suggest to Council that certificate programs should be treated differently from other programs in the approval process. Council is not suggesting that the assurance of academic excellence, financial viability and societal need is any less important for certificate than for degree and diploma programs. Rather, Council is confident that these requirements will be satisfied without formal application of the approval mechanism. Council accordingly *recommends to the Minister:*

OCUA 78–20
FUNDING APPROVAL FOR NEW CERTIFICATE PROGRAMS

THAT, henceforth any new certificate programs approved by Ryerson should be authorized for funding.

W. C. Winegard
Chairman

November 17, 1978

78-V The Allocation of the Government's Operating Support for the University System in 1979-80

By letter of January 4, 1979, the Minister of Colleges and Universities informed the Chairman of Council that in 1979–80, $782.4 million in operating grants would be allocated to the university system. Of this amount, $775.9 million is available for Council's basic funding objectives and the Bar Admission Course, $0.5 million is provided in partial recognition of the incremental costs already incurred by designated bilingual institutions, and $6.0 million is retained by the Ministry for budget review items. In addition to the $782.4 million in operating grants, the Government announced an increase of 5% in domestic formula fee rates. The total grant and fee revenue (excluding the differential in fees charged to foreign visa students) expected to accrue to the system in 1979–80, based on an estimate of fee revenue, is $911.2 million and represents an increase of 4.5% over the comparable figure for 1978–79.

Council notes with great regret that the $776.4 million in operating grants, combined with the estimated $6.2 million resulting from the 5% domestic fee increase, falls $14.2 million short of Council's total recommended funding of $796.8 million ($795.3 million for basic funding objectives and $1.5 million for the grant-in-aid to the Bar Admission Course and funding of bilingual institutions). Some of the possible implications of this degree of underfunding were discussed by Council in its paper of September 1978 "The Ontario University System: A Statement of Issues." To say the least, all are potentially serious, especially when it is borne in mind that universities have a research and development, as well as a teaching, function.

In this Memorandum, Council advises on the distribution of the $776.4 million that has been made available for operating grants. The amount available for distribution by formula is the portion of the $776.4 million that remains after allocations have been made for Northern Ontario, bilingualism and supplementary grants, for the grant-in-aid to the Bar Admission Course, and for contingency.

Northern Ontario Grants

In Advisory Memorandum 74–III, Council recommended that the Government adopt a deliberate policy of financial assistance to Northern Ontario institutions in recognition of the fiscal problems associated with providing post-secondary education in that region. Council subsequently published a "mini-formula" in Advisory Memorandum 75–VII on the basis of which the annual value of the Northern grant could be calculated for each of Lakehead and Laurentian universities and Laurentian's affiliated colleges – Algoma, Hearst and Nipissing. According to this method, the grant to each institution is determined with reference to the prior year's Basic Operating Income.

For 1979–80, Council has again employed the mini-formula in the calculation of the Northern grants and accordingly *recommends to the Minister:*

OCUA 78–21
NORTHERN ONTARIO GRANTS 1979–80

THAT Northern Ontario grants in 1979–80 be made in the following amounts:

Lakehead	$1,484,000
Laurentian	1,434,000
Algoma	167,000
Hearst	93,000
Nipissing	238,000

Bilingualism Grants

In Advisory Memoranda 77–III and 78–I, Council recommended that additional funding be provided in recognition of the incremental costs associated with existing bilingualism activities. For 1978–79, an additional $1 million was made available as a first step in meeting these costs. For 1979–80, the Government has allocated an additional $0.5 million for this purpose. Since Council has, in previous Memoranda, requested a total of $2 million, there remains a shortfall of $0.5 million if the incremental costs being incurred by bilingual institutions are to be met.

For 1979–80, the amount available for distribution by Council is equal to (1) the total bilingualism grant for 1978–79 increased by 4.9% which is the percentage by which operating grants increase between 1978–79 and 1979–80 excluding the additional $0.5 million for bilingualism and, (2) the $0.5 million in additional funds. In distributing this total of $6.2 million, Council wishes to continue its policy of phasing in the allocation of additional funds for bilingualism as suggested in Advisory Memorandum 77–VI. On the assumption that no further funds are made available for this purpose for 1979–80, total grants for bilingualism will be allocated with one-half based on the distribution of 1978–79 bilingualism grants and one-half according to the incidence of 1976–77 incremental bilingualism costs. Accordingly, Council *recommends to the Minister:*

OCUA 78–22
BILINGUALISM GRANTS 1979–80

THAT biligualism grants in 1979–80 be made in the following amounts:

Ottawa	$4,657,000
Laurentian	1,142,000
Glendon	176,000
Hearst	52,000
Sudbury	27,000
St. Paul	192,000

Supplementary Grants

Council has, in past Memoranda, stated its policy of recommending reductions each year in the supplementary grants to Lakehead, Laurentian and Trent universities. Council continues to believe that supplementary grants should be reduced while having regard for the immediate impact of enrolment averaging formula income and the proportion of Basic Operating Income represented by the supplementary grants of the recipient institution. Council accordingly *recommends to the Minister:*

OCUA 78–23
SUPPLEMENTARY GRANTS 1979–80

THAT supplementary grants in 1979–80 be made in the following amounts:

Lakehead	$ 350,000
Laurentian	100,000
Trent	1,000,000

Bar Admission Course

In Advisory Memorandum 74–II, Council noted the Government's policy of providing a partial grant-in-aid for the Bar Admission Course. In recommending the

amount of this special grant, Council continues its recent approach of increasing the grant by the percentage increase in the Government's allocation to the system as a whole. Thus, for 1979–80, Council proposes an increase in the grant-in-aid of 4.9% over the $458,000 allocated for 1978–79. Council expects that tuition fee rates for the Bar Admission Course will not be increased by more than the 5% increase in formula fees announced for the rest of the system. Council accordingly *recommends to the Minister:*

OCUA 78–24
GRANT TO THE LAW SOCIETY OF UPPER CANADA ON BEHALF OF THE BAR ADMISSION COURSE 1979–80

THAT a grant of $481,000 be made to the Law Society of Upper Canada for support of the Bar Admission Course in 1979–80.

Basic Income Unit Values

As indicated at the beginning of this Memorandum, the Government has made available a total of $782.4 million to the university system for 1979–80. Of this amount, $6.0 million has been retained by the Ministry of Colleges and Universities for the financing of line budget items, leaving a total of $776.4 million to be allocated on the recommendation of Council. For purposes of determining the amount available for distribution through graduate and undergraduate formula grants, Council deducts from this total the value of allocations for Northern Ontario, bilingualism and supplementary grants, and for the grant-in-aid to the Bar Admission Course. The total of these deductions for 1979–80, as shown in Table I, is $11,593,000. In addition, Council deducts an amount for contingency which for 1979–80 is $1,671,000. This amount is intended to cover the discrepancy between the estimated weighted enrolment for 1978–79 and the final enrolment figures. As well, the amount set aside for contingency will be available for any change in the funding status of Dominican College which now remains the only school of theology funded at 50%. The amount remaining for distribution by formula grants after the deductions for non-formula grants and contingency is $763,136,000. Council notes that any unused portion of the contingency will also be available for distribution.

Table I

Availability of Funds for Distribution as Graduate and Undergraduate Formula Grants for 1979–80

Available for Council's Allocative Recommendations		$776,400,000
Deduct:		
Northern Ontario Grants	$ 3,416,000	
Bilingualism Grants	6,246,000	
Supplementary Grants	1,450,000	
Bar Admission Course	481,000	
Sub-Total	$11,593,000	
Contingency	1,671,000	
Total Deductions		$ 13,264,000
Available for Distribution as Graduate and Undergraduate Formula Grants		$763,136,000

Based on an amount of $763,136,000 available for distribution by formula grants, the value of the undergraduate Basic Income Unit (BIU) is $2,800 and the graduate BIU is $2,729.

The undergraduate allocation for 1979–80 is calculated in accordance with the undergraduate funding formula established in Advisory Memorandum 76–VII. The method used to allocate graduate formula grants is that specified in Advisory Memorandum 78–III. Formula grants for master's and graduate diploma programs are distributed to each institution in relation to the number of BIUs in the Master's and Graduate Diploma Formula Funding Base adjusted by 50 per cent of the difference between (1) the average number of eligible master's and graduate diploma BIUs reported by each institution in 1978–79, 1977–78 and 1976–77 and, (2) the Master's and Graduate Diploma Formula Funding Base. For doctoral programs, formula grants are distributed according to the number of BIUs in the Doctoral Formula Funding Base adjusted by one-third of the difference between the number of doctoral BIUs in the three-year moving average and those in the Doctoral Formula Funding Base. In determining the eligible BIUs in each year, Council included the graduate programs recommended for formula support in Advisory Memorandum 78–III. Council accordingly *recommends to the Minister:*

OCUA 78–25
GRADUATE AND UNDERGRADUATE BIU VALUES FOR 1979–80

THAT, for 1979–80, the graduate BIU value be not less than $2,729 and the undergraduate BIU value be not less than $2,800.

In Tables II and III, Council tabulates the distribution of grants and Basic Operating Income based on the recommendations contained in this Memorandum. Table II lists formula and non-formula grants for 1979–80 and provides a comparison by institution to the grants made in 1978–79. Table III similarly compares the sum of Basic Operating Income and non-formula grants for 1979–80 with the corresponding figures for 1978–79. Council notes that although Basic Operating Income is a more accurate measure of the revenue expected to accrue to the system than grants alone, the portion of Basic Operating Income which is based on fees may differ from the actual fee revenue collected by the system. For an explanation of the basis for this difference and its implications see the Appendix to this Memorandum.

Formula Sensitivity to Enrolment Change

In Advisory Memorandum 78–III, Council recommended that a 50% discount/stability factor be applied in the allocative formula used for master's and graduate diploma programs. For doctoral programs, Council felt that an even greater measure of stability might be in order, and therefore suggested a discount factor of two-thirds. Council wishes to reiterate its intention to employ these discount factors throughout the first quinquennium.

Council believes that the use of a 50% discount factor in the undergraduate allocative formula continues to be an appropriate measure to reduce the sensitivity of the formula to enrolment change. It is therefore Council's intent to employ the 50% discount factor again in 1980–81.

W. C. Winegard
Chairman

January 26, 1979

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Table II

Distribution of Grants Generated by Recommendations in Advisory Memorandum 78-V
($ thousands)

	1979-80 RECOMMENDATIONS							
	Formula Grants[2]	Northern Ontario Grants	Bilingualism Grants[3]	Supplementary Grants	Special Grant and Contingency	Total Grants Recommended[4]	1978-79 Total Grants[5]	% Change
Brock	12,457					12,457	11,877	4.9
Carleton	39,647					39,647	38,264	3.6
Guelph	47,946					47,946	45,898	4.5
Lakehead	11,797	1,484		350		13,631	13,034	4.6
Laurentian	11,034	1,434	1,169	100		13,737	13,100	4.9
Algoma	1,050	167				1,217	1,201	1.3
Nipissing	1,617	238				1,855	1,784	4.0
Hearst	279	93	52			424	411	3.2
McMaster	52,203					52,203	50,356	3.7
Ottawa	59,473		4,849			64,322	60,867	5.7
Queen's	53,227					53,227	50,136	6.2
Toronto	171,213					171,213	162,149	5.6
Trent	7,654			1,000		8,654	8,458	2.3
Waterloo	59,311					59,311	56,478	5.0
Western	78,403					78,403	74,756	4.9
Wilfrid Laurier	13,949					13,949	13,212	5.6
Windsor	34,510					34,510	33,350	3.5
York	58,981		176			59,157	56,845	4.1
OISE	11,200					11,200	10,368	8.0
Ryerson	32,461					32,461	30,785	5.4
College of Art	4,648					4,648	4,282	8.5
Dominican[1]	76					76	71	7.0
TOTAL	763,136	3,416	6,246	1,450		774,248	737,682	5.0
Bar Admission					481	481	458	5.0
Contingency					1,671			

Notes:

1 Dominican College receives 50% funding. The theology schools receiving 100% funding are included with the parent institution.
2 1979-80 formula grants are calculated using an undergraduate BIU value of $2,800, a graduate BIU value of $2,729 and domestic formula fee rates increased by 5% over their 1978-79 levels.
3 Bilingualism grants for affiliated institutions are included with the parent institution.
4 Total grants recommended of $774.248 million plus $0.481 million for the Bar Admission Course plus $1.671 million as Contingency equals $776.4 million.
5 1978-79 grants were calculated using an undergraduate BIU value of $2,658 and a Graduate Funding Unit value of $2,589.

Table III

Distribution of Basic Operating Income and Grants Generated by Recommendations in Advisory Memorandum 78–V
($ thousands)

	1979–80 RECOMMENDATIONS							
	Basic Operating Income (BOI)[2]	Northern Ontario Grants	Bilingualism Grants[3]	Supplementary Grants	Special Grant and Contingency	BOI plus Northern Bilingualism Supplementary and Special Grants	1978–79[4] BOI plus Northern Bilingualism Supplementary and Special Grants	% Change
Brock	15,067					15,067	14,423	4.5
Carleton	48,137					48,137	46,550	3.4
Guelph	55,678					55,678	53,369	4.3
Lakehead	14,252	1,484		350		16,086	15,366	4.7
Laurentian	13,693	1,434	1,169	100		16,396	15,663	4.7
Algoma	1,413	167				1,580	1,561	1.2
Nipissing	2,027	238				2,265	2,195	3.2
Hearst	376	93	52			521	506	3.0
McMaster	60,975					60,975	58,839	3.6
Ottawa	70,145		4,849			74,994	71,046	5.6
Queen's	61,966					61,966	58,429	6.1
Toronto	197,849					197,849	187,760	5.4
Trent	9,617			1,000		10,617	10,352	2.6
Waterloo	70,461					70,461	67,040	5.1
Western	92,855					92,855	88,683	4.7
Wilfrid Laurier	17,347					17,347	16,456	5.4
Windsor	41,477					41,477	40,160	3.3
York	71,738		176			71,914	69,124	4.0
OISE	12,319					12,319	11,380	8.3
Ryerson	37,295					37,295	35,402	5.3
College of Art	5,534					5,534	5,102	8.5
Dominican[1]	124					124	117	6.0
TOTAL	900,345	3,416	6,246	1,450		911,457	869,623	4.8
Bar Admission					481	481	458	5.0
Contingency					1,671			

Notes:
1 Dominican College receives 50% funding. The theology schools receiving 100% funding are included with the parent institution.
2 1979–80 BOI is calculated using an undergraduate BIU value of $2,800 and a graduate BIU value of $2,729.
3 Bilingualism grants for affiliated institutions are included with the parent institution.
4 1978–79 BOI is calculated using an undergraduate BIU value of $2,656 and a Graduate Funding Unit value of $2,589.

Ministry of Colleges and Universities

Appendix to Advisory Memorandum 78–V

Explanation of Basic Operating Income

The actual fee and grant income for the university system cannot be calculated for the year ahead since fee revenue is not known. Instead, Basic Operating Income (BOI) can be used as a proxy for actual grant and fee income. BOI consists of formula grants for the year in question and the averaged and discounted formula fees. In order to obtain institutional BOI, total system BOI is divided by the averaged and discounted system BIUs in order to derive a value for the Basic Income Unit. This unit value, when multiplied by the number of BIUs at a university, gives the university's BOI. A university's grants are obtained by subtracting its average and discounted formula fees from its BOI. BOI should not, therefore, be regarded as the actual fee and grant income that a university will have in a given year. In a period of declining enrolment, the method of calculating institutional BOI will tend to overstate fee revenues and therefore also total grant and fee income.

A second basis on which actual university operating fee and grant income differs from the BOI figure used in this Memorandum arises from the fact that BOI does not include the fee revenue collected by the system from the higher fees charged to foreign visa students. This additional amount is returned to the system through the operating grants formula in the year in which the revenue is collected when final enrolments are known.

OCUA Public Meetings, 1978-79

OCUA Public Meetings, 1978-79

Date	Institution or Organization and (Place of Meeting)
March 31, 1978	Council of Ontario Universities (University of Toronto, Toronto)
March 31, 1978	University of Toronto (University of Toronto, Toronto)
April 14, 1978	McMaster University (McMaster University, Hamilton)
April 14, 1978	Brock University (McMaster University, Hamilton)
April 14, 1978	University of Guelph (McMaster University, Hamilton)
April 21, 1978	Ontario Confederation of University Faculty Associations (Queen's Park, Toronto)
April 21, 1978	Confederation of Ontario University Staff Associations (Queen's Park, Toronto)
April 21, 1978	Ontario Federation of Students (Queen's Park, Toronto)
May 5, 1978	Wilfrid Laurier University (Wilfrid Laurier University, Waterloo)
May 5, 1978	University of Waterloo (Wilfrid Laurier University, Waterloo)
May 5, 1978	University of Western Ontario (Wilfrid Laurier University, Waterloo)
May 5, 1978	University of Windsor (Wilfrid Laurier University, Waterloo)
May 12, 1978	Laurentian University (Bristol Place Hotel, Toronto)
May 12, 1978	Algoma College (Bristol Place Hotel, Toronto)
May 12, 1978	Collège de Hearst (Bristol Place Hotel, Toronto)
May 12, 1978	Nipissing College (Bristol Place Hotel, Toronto)
May 26, 1978	York University (York University, Downsview)
May 26, 1978	Ryerson Polytechnical Institute (York University, Downsview)
May 26, 1978	Ontario College of Art (York University, Downsview)
May 26, 1978	Ontario Institute for Studies in Education (York University, Downsview)
June 9, 1978	Trent University (Trent University, Peterborough)
June 9, 1978	Queen's University (Trent University, Peterborough)
June 9, 1978	University of Ottawa (Trent University, Peterborough)
June 9, 1978	Carleton University (Trent University, Peterborough)

OCUA Recommendations and Government Responses, 1978-79

OCUA Recommendations and Government Responses, 1978-79

Recommendations Number	Title	Response
	(Advisory Memorandum 78–I)	
78–1	Funding Level for 1979–80 to Meet the Cost of Council's Basic Objectives in Funding the Operation of Provincially-Assisted Universities, Ryerson, the Ontario Institute for Studies in Education and the Ontario College of Art	Not accepted
78–2	Additional Funding for 1979–80 for Existing Bilingualism Programs and the Bar Admission Course	Not accepted
78–3	Level of Support for Major Renovations, Alterations, and Replacement Projects in 1979–80	Not accepted
	(Advisory Memorandum 78–II)	
78–4 (77–1) (76–2) (75–3)	Ontario Graduate Scholarship Eligibility	Partially accepted: see extract from Minister's letter of 25 July 1978 which follows this table
78–5 (77–2)	Foreign Visa Student Eligibility	
78–6	Institutional Awards to Universities Without Doctoral Programs	Accepted
78–7	Ontario Graduate Scholarships to Persons on Student Visas	Accepted
78–8	Number of Ontario Graduate Scholarship Awards in 1979–80	Accepted
78–9	Ontario Graduate Scholarship Stipends, 1979–80	Accepted
	(Advisory Memorandum 78–III)	
78–10	Establishment of an Institutional Master's and Graduate Diploma Formula Funding Base	Accepted
78–11	Establishment of an Institutional Doctoral Formula Funding Base	Accepted
78–12	Distribution Mechanism for Master's and Graduate Diploma Program Formula Grants During the First Quinquennium	Accepted

78–13	Distribution Mechanism for Doctoral Program Formula Grants During the First Quinquennium	Accepted
78–14	Funding of Particular Graduate Programs	Accepted
	(Advisory Memorandum 78–IV)	
78–15	Mechanism for Degree and New Diploma Program Approval at Ryerson Polytechnical Institute	Accepted
78–16	Interim Arrangements and Procedures for Funding of Existing Degree Programs	Accepted
78–17	Funding Approval for New Degree Programs	Accepted
78–18	Funding Approval for Existing Diploma and Certificate Programs	Accepted
78–19	Funding Approval for New Diploma Programs	Accepted
78–20	Funding Approval for New Certificate Programs	Accepted, with clarification; see correspondence which follows this table
	(Advisory Memorandum 78–V)	
78–21	Northern Ontario Grants 1979–80	Accepted
78–22	Bilingualism Grants 1979–80	Accepted
78–23	Supplementary Grants 1979–80	Accepted
78–24	Grant to the Law Society of Upper Canada on Behalf of the Bar Admission Course 1979–80	Accepted
78–25	Graduate and Undergraduate BIU Values for 1979–80	Accepted

Advisory Memorandum 78-II

Extract from a letter dated 25 July 1978 from
the Honourable Harry Parrott, D.D.S., to Dr. W. C. Winegard

"Recommendation 78–4 (77–1) (76–2) (75–3)
Council has recommended that Ontario Graduate Scholarships be equally open to Canadian citizens and to persons who hold landed immigrant status as of the official annual closing date for applications.

I have decided to ease the restrictions on landed immigrants by allowing landed immigrants who have held landed immigrant status for one year prior to the application date to compete with Canadian citizens for the open awards. I feel that this is a very fair approach and one which should become a permanent feature of the program. The one-year residency requirement is consistent with the requirement for the Canada Council awards, as well as for both the federal and provincial student assistance programs.

Recommendation 78–5 (77–2)
In view of my decision regarding recommendation 78–4, the special category of restricted scholarships will be opened to visa students and to landed immigrants who have resided in Canada for less than one year."

Advisory Memorandum 78-IV

Ontario

Office of the Minister

Ministry of Colleges and Universities

416/965-5277

Mowat Block
Queen's Park
Toronto, Ontario

February 12, 1979

Dr. W. C. Winegard,
Chairman,
Ontario Council on University Affairs,
7th Floor, 700 Bay Street,
Toronto, Ontario.

Dear Dr. Winegard:

I have now reviewed OCUA Advisory Memorandum 78 IV, "Program Funding Approval Procedures for Ryerson Polytechnical Institute".

All recommendations on approval procedures for programs now receiving interim funding, and those recommendations concerning the establishment of an approval mechanism for new credit programs at the diploma and degree levels, are accepted. Similarly, Recommendation OCUA 78-18 "Funding Approval for Existing Diploma and Certificate Programs", is accepted.

Recommendation OCUA 78-20 entitled "Funding approval for New Certificate Programs" cannot be accepted in its current form. My interpretation of this recommendation is that both credit and non-credit aspects of new certificate courses at Ryerson would be eligible for funding without being subject to the approval mechanism established for new diploma and degree programs. I would be prepared to accept Recommendation OCUA 78-20 if those aspects of certificate programs for which provincial support is sought were subject to some approval mechanism as are new credit diploma and degree programs. In other words, a distinction must be made between the credit and the non-credit functions, even in the certificate area. This is consistent with the general policy in both the college and university systems, whereby non-credit programs may not be identified for funding.

I shall delay release of my response to Memorandum OCUA 78-IV pending clarification of Council's intent in Recommendation 78-20.

Yours truly,

Bette Stephenson

Bette Stephenson, M.D.,
Minister.

Ontario
Council on
University
Affairs

416/965-5233

7th Floor
700 Bay Street
Toronto, Ontario
M5H 2T8

February 15, 1979

The Honourable Bette Stephenson, M.D.,
Minister of Education,
Mowat Block - 22nd Floor,
900 Bay Street,
Toronto, Ontario

Dear Dr. Stephenson:

In response to your concerns about the funding of certificate programs at Ryerson, let me assure you that Council had no intention of recommending changes in the existing arrangement for funding. Recommendation 78-20 was put forward to separate the program approval method for certificates from that recommended for diploma and degree programs. Council has authorized me to inform you that, in its opinion, the existing funding arrangements should continue. Only those courses in certificate programs that are also approved courses in a diploma or degree program should be eligible for counting. Non-credit courses should be ineligible for funding. By this method, we have insured that credit courses which are eligible for funding in certificate programs will have already been approved as part of an existing degree or diploma program.

Yours sincerely,

W. C. Winegard
Chairman

Ontario

Minister of
Education

Mowat Block
Queen's Park
Toronto, Ontario
M7A 1L2
416 965-5277

February 28, 1979

Dr. W.C. Winegard
Chairman
Ontario Council on University Affairs
7th Floor
700 Bay Street
Toronto, Ontario
M5H 2T8

Dear Dr. Winegard:

Thank you for your letter of February 15, 1979, in which you clarify Council's intent with regard to Recommendation 78-20 of Advisory Memorandum 78-IV.

The Memorandum is now accepted, in full, subject to the clarification contained in your letter.

I shall release the Memorandum to Ryerson Polytechnical Institute and the system, via COU, immediately.

Yours truly,

Bette Stephenson

Bette Stephenson, M.D.
Minister.